Austria	Sch30	Iran	Rls215	Pakistan	Rs35
Bahrain	Din0.905	Israel	Shk4.50	Philippines	Peso40
Belgium	BFr60	Italy	L2200	Poland	Zl 15,000
Cyprus	C£1.00	Jordan	JD1.25	Portugal	Es175
Denmark	DKr13	Korea	Won 2000	Qatar	QR10.00
Egypt	E£3.50	Kuwait	Fils.500	S.Arabia	SR8.00
Finland	FM9.50	Lebanon	L£1,000	Singapore	S$4.10
France	FFr8.00	Lux	LFr60	Spain	Pta175
Germany	DM2.60	Malta	45 cents	Sweden	SKr13
Greece	Dr200	Morocco	MDh10	Switz	SFr2.70
Hungary	Ft145	Neth	Fl 3.50	Thailand	Bht50
Iceland	IKr180	Nigeria	Naira15	Tunisia	Din0.800
India	Rs20	Norway	NKr13.00	Turkey	L5000
Indonesia	Rp3100	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Thursday August 8 1991

D 8523A

EASTERN EUROPE

West's food groups have a hungry look

Page 8

World News

US preparing for possible release of hostages

The US is making preparations for the possible release of a British and an American hostage held by kidnappers in Lebanon, Marlin Fitzwater, the White House spokesman, said.

In contrast to previous very cautious official statements about western hostages, Mr Fitzwater said the US had received "a number of reports" from diplomatic sources in the Middle East and from the Swiss who had reported on "the rumour of a hostage release". Page 12

Iraq buffer zone created

Turkey established a three-mile buffer zone inside northern Iraq as its ground and air forces pounded positions occupied by guerrillas belonging to the Kurdish Workers Party, the Turkish separatist movement fighting for an independent Kurdistan in south-east Turkey. Page 12

Explosions on oil rig

The Fulmar Alpha oil platform in the North Sea off Britain's east coast was rocked by a series of explosions which left two men and a woman injured and led to the evacuation of 40 workers. Page 8

Mandela warns de Klerk

Nelson Mandela, the leader of the African National Congress, returned from an overseas tour and immediately said he would put pressure on South African president F W de Klerk to accept his proposals for an interim government. Page 4

Iraq 'breached pact'

The International Atomic Energy Agency said Iraq's secret attempts to produce plutonium breached a nuclear pact signed by Baghdad. Page 4

Kaunda challenge fails

A businessman who wanted to wrest Zambia's presidency from veteran ruler Kenneth Kaunda withdrew his challenge two days before a crucial vote on the issue by the ruling party. Enoch Kavindele said he had taken the decision in the interests of party unity. Page 4

Britain accuses Israel

Britain accused Israel of damaging Middle East peace prospects by building more settlements in the occupied Arab territories. The Foreign Office described the action as "illegal and provocative". Page 4

Communist cash crisis

The Soviet Communist party is haemorrhaging money at the rate of Rbs1bn (£330m) a year and will soon face a cash crisis, according to Otto Latsis, one of the main liberal influences on the revised programme now being discussed in the party. Page 2

Morocco poll in jeopardy

Fighting which has flared between Morocco and the Polisario Front in the western Sahara after a lull of almost two years could jeopardise United Nations plans for a September 6 ceasefire and a referendum in January. Page 4

Cyprus 'accord' denied

Turkish officials denied reports that the Turkish Cypriot side had agreed to return territory seized in the 1974 invasion of Cyprus as part of a settlement to end the 17-year-old division of the island. Page 12

Terrorist pardon wanted

President Francesco Cossiga said he wanted to pardon Dr Renato Curcio, the founder of the Red Brigades leftist terrorist group, despite public pressure to keep him jail. Dr Curcio, imprisoned in 1976, is eligible for parole in 2002.

Fire at insurance centre

Fire badly damaged a new City of London insurance centre and set back its opening. Page 7

Business Summary

Executive Life to be taken on by French consortium

A consortium of French investors, including MAAF, the large mutual insurer, has agreed to take over the business of Executive Life, the Californian insurance company seized by the state regulators in April.

Much of Executive Life's large junk bond portfolio will be acquired by Altus Finance, part of the Crédit Lyonnais banking group, for $2.7bn. Page 13

CHRYSLER, US car manufacturer, plans to raise some $400m through a public share offering designed to strengthen its balance sheet, bolster its depleted reserves of cash and help its credit rating. Page 13

DOLLAR: The US currency's resilience in the face of the Fed funds rate cut – it fell by less than a pfennig against the D-Mark when the news was announced and rose yesterday – suggests that its recent frailty may have run its course. Page 13; Currencies, Page 28

GERMANY: Nearly one fifth of the land of east Germany has been handed over to a German banking consortium which will try to sell it on behalf of the Treuhand privatisation agency. Page 12; Banking secrecy laws, Page 2

HEINEKEN, Dutch beer group, has made its first foray into eastern Europe with the purchase of a 50.3 per cent stake in the Hungarian Komaromi Sorgyar brewery, near Budapest. Page 13

STANDARD Chartered, the international banking group, reported a 25 per cent fall to £83m ($141.93m) in pre-tax profits for the first six months of 1991 compared with the same period last year. Page 18; Lex, Page 12

AIRBUS INDUSTRIE, the four-nation European aircraft manufacturing consortium, said in its annual market report that it expected the distance travelled world-wide by paying passengers to increase by 5.3 per cent a year over the next 20 years.
Page 2; Letters, Page 11

AUSTRALIA'S Labor government plans tougher curbs on cross-ownership of media assets to prevent indirect control though "associates" of proprietors. Page 4

HAMAMATSU Photonics, the Japanese company planning to buy the light sensing business of Thorn EMI, warned it might pull out of the deal after the bid's referral to the Monopolies and Mergers Commission. Page 17

OMAN: The Sultanate of Oman is borrowing $300m in the syndicated loans market through Bankers Trust and J. P. Morgan. Page 16

US economy is improving but at a slow and uneven pace, according to the Federal Reserve's latest Beige Book assessment of regional economic trends. Page 5

HONDA, Japanese car maker, plans to increase its European dealer network to around 2,000 by the mid-1990s from nearly 1,500 at present. Page 3

NORWAY, a member of Nato, is to ease Cocom rules restricting sales of high-tech western goods to the non-Nato countries Austria, Finland, Ireland, Sweden and Switzerland. Page 3

SMITHS INDUSTRIES, British-based aerospace and medical equipment group, significantly strengthened its position in the US aerospace industry by winning developments contracts from the US military which should lead to orders worth almost $400m. Page 7

AMERICA West, US airline which filed for Chapter 11 bankruptcy protection in late June, may cut some 1,500 jobs. Page 14

Luxembourg threat to liquidate BCCI

By Andrew Hill in Brussels

CHANCES of a rescue of the Bank of Credit and Commerce International(BCCI) appeared even slimmer last night after bank regulators in Luxembourg threatened to liquidate the bank's European operations unless depositors outside the UK received compensation.

Mr Pierre Jaans, director-general of the Institut Monetaire Luxembourgeois (IML), which supervises the Grand Duchy's banking sector, said yesterday he would ask a Luxembourg court to liquidate BCCI, unless Abu Dhabi extended its £50m ($85m) compensation package to the bank's depositors and employees outside the UK.

Liquidation of BCCI (SA), would almost certainly elminate any chance of BCCI being rescued. BCCI is a Luxembourg-registered company, and a liquidation order in the Dutchy would override the UK High Court's decision last week to grant a four-month breathing space to BCCI's majority shareholders.

UK officials said last night that Mr Jaans' move could have a dramatic impact on BCCI's fate by triggering a formal winding up, and removing the one condition under which Abu Dhabi agreed to discuss a possible rescue.

The High Court ruling followed Abu Dhabi's promise of compensation to British employees and depositors, and was designed to give shareholders time to explore a possible rescue of the bank.

An increasingly acrimonious row is brewing in Washington over the confidentiality of documents relating to fraud at BCCI. The war of words surrounds talks at the US Federal Reserve between Mr Eddie George, the deputy governor of the Bank of England, and Mr Alan Greenspan, chairman of the Federal Reserve Board.

The IML faxed a letter to Abu Dhabi on Friday, asking for the compensation package to be extended to BCCI's Luxembourg depositors and 65 employees but has yet to receive a reply.

Yesterday, Mr Jaans said he was "reasonably optimistic" about Abu Dhabi's response but added that he would consider a refusal to extend the compensation package as "a new element" which would justify a call for liquidation before the end of the four-month period.

Early liquidation of BCCI's European operations would please the Bank of England, which has made two unsuccessful attempts to have BCCI wound up in London. It would also automatically trigger a payment to depositors from official depositor protection funds in the UK and Luxembourg.

But it would remove the central condition on which Abu Dhabi insisted before it would agree to talk about a rescue - that the bank not be put into liquidation.

BCCI's complicated international structure left it open to several countries to attempt a winding up. However UK officials indicated last night that it was their understanding that a Luxembourg order would override a UK court order because BCCI was registered in the Dutchy. But though this would trigger the UK depositor protection pay-out, it would be up to the provisional liquidator or the Bank of England to go back to the High Court and seek a review.

Tragic figure at the heart of a scandal, Page 6

Western European Union fails to decide what action to take

Yugoslav ceasefire breached

By Judy Dempsey in London

THE YUGOSLAV ceasefire was breached yesterday within hours of coming into effect amid conflicting signals from western governments about how to bring warring factions to the negotiating table.

Officials in Croatia accused Serbs of firing dozens of mortars in a village near Zagreb, the Croatian capital. Mr Milan Brezak, Croatia's deputy interior minister, said militant Serbs fired 102 mortars in and around Saborsko, 50km south Zagreb. "I cannot guarantee that the [Croatian] ministry will not retaliate," he said.

Yugoslavia's collective presidency agreed on Tuesday to a ceasefire which came into effect yesterday at 6am.

The breach of the ceasefire coincided with the failure of the nine-member Western European Union defence alliance to decide what measures, if any, it might take to preserve peace.

A spokesman for the WEU, whose member country ambassadors met in London yesterday, said it would continue to "review the present situation in Yugoslavia. The nine agreed to continue to reflect on possible concrete contributions... taking into account the efforts made by international forums, by the European Community and the CSCE [Conference on Security and Co-operation in Europe]."

The new crisis management set up by the 35-member CSCE will meet today in Prague. The meeting is intended to widen international pressure on Yugoslav leaders to implement a lasting ceasefire.

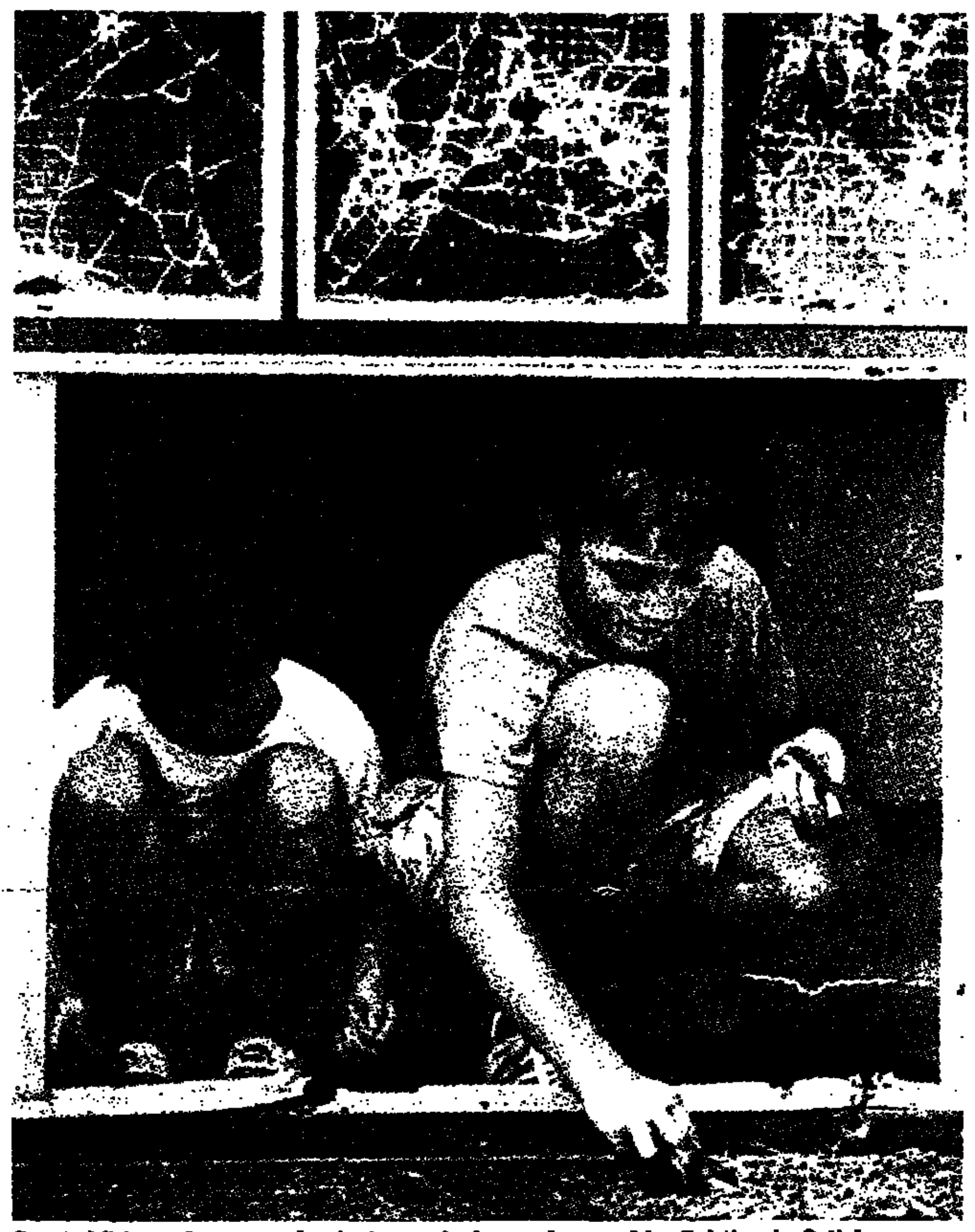
Several European governments stepped up their efforts to find a solution to Yugoslavia's worst crisis since the Second World War.

President François Mitterrand of France yesterday proposed that a popular vote, supervised by international observers, should be held in Yugoslavia. This is not likely to prove acceptable to several republics whose voters would be outnumbered by the 9.8m-strong Serb community.

Yesterday, the parliament in Macedonia, one of Yugoslavia's poorest republics, voted to hold a referendum next month on independence. Following referendums, the republics of Slovenia and Croatia declared their independence on June 25.

Continued on Page 12

EC dilemma, Page 2



Croat children play yesterday in front of a house damaged by fighting in Ostjek

Hashimoto plans tough laws against illegal trading

By Stefan Wagstyl in Tokyo

TOUGH measures to prevent a repeat of the Japan's current securities scandal, including laws to penalise investors as well as stockbrokers for stock-loss compensation payments, were unveiled yesterday by Mr Ryutaro Hashimoto, the Japanese finance minister.

The minister, who is resisting calls for his resignation over the affair, made his promise to a packed session of the Japanese Diet (parliament).

His ministry is planning to present to MPs revisions of the Securities and Exchange Law which could include prison sentences as well as fines for brokers and investors found guilty of running compensation schemes for losses incurred in the stock market.

Meanwhile yesterday, lawyers acting for three US institutional investors confirmed their intention to sue the Japanese securities houses involved for "tens of millions of dollars" for losses they suffered in the securities markets as a result of the compensation scandal.

Mr Charles Stevens, senior East Asian partner of Coudert Brothers, the US law firm handling the cases, said suits would be filed in the US against 17 Japanese securities houses or their US subsidiaries by the beginning of September.

The identity of the three institutional investors could not be revealed until then, he said, but they were all mutual funds with household names which had bought Japanese shares through the US arms of Japanese brokerage houses.

Mr Hashimoto is trying to contain the damage caused to his ministry's reputation by scandals involving brokers paying compensation to favoured clients, as well as dealing with gangsters and stock-cornering.

The finance ministry is expected to present a package of measures to the Diet before the end of the month. It is also working on a thorough revamp of the regulation of the securities industry, in response to claims that it was partly responsible for the stock-loss compensation scandal because it had known what had been going on.

Mr Hashimoto told the Diet that the ministry should stop protecting securities companies from competition and

Continued on Page 12

World stocks, Page 29

UK companies to cut jobs amid gloom on recession

By Andrew Bolger in London

UK COMPANY executives as yet see no end to Britain's current economic downturn and are continuing to cut jobs, according to a series of gloomy results yesterday from leading companies.

However, the profit figures they released were still generally better than expected and most share prices rose on the London stock market. The FT-SE 100 index closed 24.1 higher on the day at 2597.4, helped by Wall Street's strong overnight performance.

British Airways blamed the after-effects of the Gulf war and recession in the UK and the US for the plunge in its pre-tax profits from £156m to £9m in its first quarter to the end of June. Lord King, chairman, expected no improvement in traffic during the second quarter to September, and said the airline had almost completed a reduction in its workforce of 4,600 people.

GKN, the UK components, industrial services and defence group, could also see no hard evidence of improvement in the recessionary conditions affecting its main markets. These it said accounted for the halving of interim pre-tax profits to £47.5m.

Sir David Lees, GKN chairman, said: "Possibly the prospects are a little brighter in America but Continental Europe looks, if anything, rather weaker. In the UK I do not believe we shall see an upturn before the end of the year."

The company has announced about 2,600 redundancies in the last 18 months – of which close to 2,000 have been in the UK. Sir David said hundreds more jobs may be cut in the second half of 1991.

Courage, Britain's second-largest brewer, maintained the gloom on the employment front by saying it would cut 1,400 jobs over the next 12 months as it integrated the brewing operations acquired from the Grand Metropolitan hotels and leisure group in a £2.36bn deal earlier this year.

Commercial Union set the tone for what is likely to prove a miserable series of figures from the UK composite (life and general) insurers, by reporting a pre-tax loss of £26.3m in the half-year to June.

CU was the only one of the UK's five composites to stay in the black throughout 1990. It pointed to competition and heavy recession-related claims in reporting recent underwriting losses in the UK, but said profits from its life insurance business continued to grow.

From the banking sector, Standard Chartered ended a depressing round of results by recording a drop in interim profits from £110m to £83m.

The figures were, however, much better than expected and on the stock market Standard Chartered shares closed 20p higher at 390p.

Courage to cut jobs, Page 7
Lex, Page 12

CONTENTS

Cresson turns up the heat on immigration debate

France's outspoken prime minister has taken on one of the country's most contentious isues, turning traditional socialist policies on their head by suggesting the mass expulsion of illegal immigrants

Page 11

MARKETS

STERLING
New York lunchtime:
$1.7135
London:
$1.714 (1.712)
DM2.93 (2.9325)
FFr9.9675 (9.9675)
SFr2.56 (2.5575)
Y232.75 (232.25)
£ Index 91.0 (91.1)

GOLD
New York: Comex Dec
$362.8 (363.1)
London:
$357.15 (357.7)

N SEA OIL (Argus)
Brent Sep
$19.42 (19.525)

Chief price changes yesterday: Page 13

DOLLAR
New York lunchtime:
DM1.71
FFr5.815
SFr1.4965
Y135.9
London:
DM1.71 (1.7125)
FFr5.815 (5.8225)
SFr1.494 (1.4945)
Y135.8 (135.65)
$ index 65.9 (65.8)
Tokyo close: Y136.0

US lunchtime rates
Fed Funds: $5\frac{1}{2}$%
3-mo Treasury Bills: 5.524%
Long Bond: $99\frac{11}{32}$
yield: 8.177%

STOCK INDICES
FT-SE 100:
2597.4 (+24.1)
FT Ordinary:
2,014.9 (+25.9)
FT-A All-Share:
1,239.67 (+0.8%)
New York lunchtime:
DJ Ind. Av.
3,028.4 (+1.12)
S&P Comp
390.84 (+0.22)
Tokyo: Nikkei
23,691.02 (+226.06)

LONDON MONEY
3-month Interbank:
$10\frac{7}{8}$ ($10\frac{13}{16}$)
Liffe long gilt future:
$93\frac{7}{16}$ ($93\frac{9}{32}$)

EUROPEAN NEWS

Airbus forecasts 5.3% air travel growth

By Paul Abrahams

AIRBUS Industrie yesterday, shrugged off short-term difficulties in the civil aviation sector when it announced that underlying passenger growth would remain strong over the next 20 years.

In its annual market report*, Airbus, the four-nation European aircraft manufacturing consortium, said it expected the number of kilometres travelled world-wide by paying passengers to increase by 5.3 per cent a year – a figure unchanged since its report last year.

The group said the fastest growth in passenger demand would be in the Asia-Pacific region, which would average at 7.8 per cent between 1990 and 2009. The Middle East would be the next fastest area averaging about 5.3 per cent. The slowest were Europe at 4.8 per cent and North America at 4.1 per cent.

Airbus admitted it may take some time for the dual effects of the Gulf war and the downturn in the world economy to be overcome, however.

The report argued that increasing congestion problems both in the air and in the sky will accelerate demand for wide-body aircraft. Average aircraft size, presently at 174 seats will increase to 241 seats by the year 2011.

The number of aircraft in the world will grow from 10,000 in 1997 to as many as 14,000 aircraft within 20 years. This means some 11,500 new aircraft will have to be delivered at a rate of between 500 and 600 jets a year. This represents an investment of about $700bn in 1990 terms. The rate of deliveries will have to be greater during the first half of the 1990s, because of the need to replace old narrow bodied aircraft, said the report.

Aircraft acquisition will be highly dependent on the willingness of airlines to replace old fleets, Airbus warned. Of the 11,500 new aircraft, some 7,100 of these will be replacing existing jets. It expects some 2,200 narrow-body jets and 500 wide-bodied aircraft to be replaced within five years.

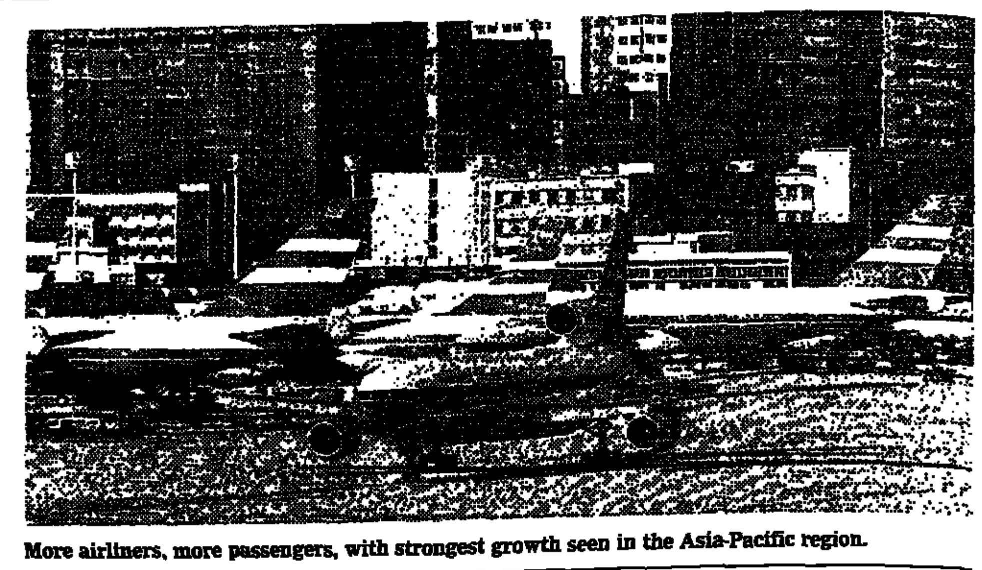
It added that airlines will need to find creative financing schemes if they are to achieve these replacements, which would provide growing opportunities for leasing companies to place a higher proportion of aircraft with large carriers.

The group admitted that the cyclical behaviour of the industry, airlines' poor return on capital and increasing fears about the environment could restrain growth in aircraft sales.

However, it argued that economic growth, the absence of any viable alternative to air travel and ageing jets would ensure healthy demand.

*Market perspectives for civil jet aircraft, 1991.

Airbus Industrie firm on support, Letter, Page 11



More airliners, more passengers, with strongest growth seen in the Asia-Pacific region.

Dilemma for EC with no peace to keep

Yugoslavia is forcing the Twelve to confront some differences, writes **David Gardner**

THE European Community this week came up against the limits of its ability to influence events in Yugoslavia.

At the Hague on Tuesday, where the Twelve's foreign ministers assembled hastily to propel forward the EC's stalled attempt to bring about a negotiated settlement to Yugoslavia's ethnic feuding, the Community was able to do little more than enhance its existing policy.

That came to grief at the weekend when the EC failed to secure a ceasefire in secessionist Croatia between Croats and the minority Serbs, fighting to join their enclaves to a Greater Serbia.

The ministers seemed at first sight divided, and were certainly feeling frustrated by the obstacles to shaping peacefully the disintegrating Yugoslav federation's future.

These obstacles areSerbian intransigence, the constraints of international law and proceduresand emerging divisions within the EC, which appear magnified by the very intractability of the crisis.

The Serbian leadership has in effect refused even to allow the EC's team of 200 monitors in Yugoslavia to witness at first hand the relationship between Serbian paramilitaries in Croatia and the Serb-dominated federal army. The prospects of it agreeing to an EC-sponsored peacekeeping force – as suggested by France – were therefore nil. While this remains the case, Mr Slobodan Milosevic, the president of Serbia, holds the key to developments.

The EC package of measures therefore tries to target pressure on the Serbian leadership in two main ways. The more than $1bn in Community aid and credit to Yugoslavia frozen last month may now be released selectively to those republics supporting EC mediation. But the aid lever has so far failed to impress Mr Milosevic and his allies, who may well have carved out Greater Serbia before the end of the month.

Mr Hans van den Broek, foreign minister of the Netherlands which currently holds the EC presidency, has therefore warned the Serbians that they will be treated as an outlaw state if they alter Yugoslavia's internal borders by force.

"Trying to arrive at a *fait accompli* is just not on, and will be counteracted by us through all means possible," he said, stressing that he meant peaceful means.

International law, let alone the fact that the EC as such has no defence dimension, means that the Community can now do little more than gather the widest possible support for this view. "While there is no peace to keep, what we would have would be an opposed landing" by troops from EC member states, a senior UK official pointed out.

Only the UN Security Council, should it choose to decide that, for example, the Yugoslav crisis presented a threat to international peace and security, could provide the legal authority to send in a buffer force to separate Serbs and Croats. At the moment it is most unlikely that the security council would even try, especially in view of the warning this week from the Soviet Union against military intervention.

The EC is therefore harnessing support on three fronts:

Croatian national guard member at the entrance to a bunker that protects him from Serbian mortar fire

- The 35-nation Conference on Security and Co-operation in Europe. The CSCE includes the US and Soviet Union, and at its meeting in Prague today is expected to endorse the EC line.
- :The UN Security Council. France as current president, the UK, as the other EC permanent member, and Belgium as non-permanent member, are to keep the council abreast of EC actions, "with a view to the Security Council taking such actions as may be deemed appropriate".
- :The Western European Union. The nine-nation WEU, which France sees as the nucleus of Europe's future defence identity and the UK sees as a bridge between the EC and the North Atlantic Treaty Organisation, is to ready itself for the possible supervision of "an agreed ceasefire", should one take hold.

There is little more, at this stage, that the EC can do, and what it has done throughout the crisis has been agreed unanimously. The member states do approach the crisis with differing, concerns, interests and agenda, but these have not widened into divisions – yet.

Disentangling these concerns is not easy. France, for instance, is seen by some as traditionally pro-Serb and opposed to German suggestions that Slovenian and Croatian independence be recognised. This is said to be through fear of a new "Teutonic bloc" emerging, and/or to discourage its Corsican separatists.

Yet the continuing insistence of Mr Roland Dumas, France's foreign minister, that a WEU force may eventually have to "interpose" itself in Croatia could – if carried out – greatly strengthen the Croat case for recognition. What appears overriding in the French position is its vision of Europe's defence future.

This aspect of the French posture may cause division in so far as it is seen to be prejudging the debate – unresolved within the European political union negotiations – on what sort of foreign and security policy, and eventually defence policy, the EC should have. The Yugoslav crisis itself undoubtedly strengthens the case of France and its EC allies.

Even UK officials recognise that the Community has in practice started operating a common foreign policy. But they still strongly resist the idea that in future this policy will have to be agreed by majority vote rather than unanimity – a battle which would have taken place in the autumn even without the Yugoslav stimulus.

Germany, linked through one historical episode to Croatia by Nazi sponsorship of a fascist state there during the Second World War, nevertheless advocates the right to self-determination it itself exercised in re-unification. This idea has provoked concern in Paris (because of Corsica) and London (because of the Scots and Northern Ireland), and anger in Madrid (because of the Basques and Catalans).

At the Luxembourg summit in June, Mr Felipe Gonzàlez, the Spanish prime minister, tetchily pointed out that Spain had proven with its national minorities that it was possible to have self-determination within existing nation-states. The mainstream Basque and Catalan nationalists, with their limited autonomy, disagree, and see the precedent of German unification and the emerging "new Europe" as a long-term opportunity to gain independence.

But at the core of the EC's effort to get a ceasefire and convene negotiations on Yugoslavia's future is the statement issued on Tuesday by the Twelve that "any change of internal and international borders by force is not acceptable". Mr Gianni de Michelis, Italy's foreign minister, shrewdly observed that this was one of the most important results of the emergency deliberations.

It brings comfort to those member states with restive national minorities. But it offers no guarantee that the EC can avoid deep divisions when the time comes for it to recognise whatever mosaic emerges from Yugoslavia.

Reshuffle of Greek cabinet awaited

By Kerin Hope in Athens

THE GREEK cabinet resigned yesterday in preparation for a government reshuffle, but it was unclear whether Mr Constantine Mitsotakis, the prime minister, would manage to reduce the number of ministerial posts as he wants to do.

The new cabinet list, which should have been issued a few hours later, was delayed amid reports that several ministers were refusing to give up their present portfolios.

Mr Mitsotakis, who says the cabinet is too large to operate efficiently, wants to downgrade at least three ministers' jobs to under-secretary level and merge the ministries of industry and trade.

However, his plans are being resisted strongly by powerful members of the governing New Democracy party, and may be watered down.

The party barons are already annoyed at the influence wielded by the prime minister's inner circle of advisers. This includes his daughter, Mrs Dora Bakoyiannis, who holds a junior cabinet post and whose job would almost certainly be abolished if Mr Mitsotakis' plans go through. She has tried to avert further criticism by saying she would rather not serve in the next cabinet.

Commission demands subsidy refund

THE European Commission said yesterday it had ordered 31 German companies to pay back a total of DM28.257m ($16.5m) in illegal subsidies, AP reports from Brussels.

The subsidies were paid out by the city of Hamburg between 1986 and 1988 as an incentive to stop companies leaving the city. The subsidies were not notified to the Commission, as legally required, and the federal government at one stage denied most of them had been made.

The German government has been given until October 2 to tell Brussels what steps it has taken to ensure the subsidies are repaid. Hamburg claimed the subsidies counted as regional aid permitted by the Community.

East German prices up sharply

Prices in eastern Germany rose by a sixth since in the first year of economic union with the west, the Federal Statistics Office said yesterday, AP reports from Berlin.

The office also said inflation in western Germany was rising because of taxes to support unification. This follows the release of statistics on Tuesday showing unemployment rising steeply to 12.1 per cent in eastern Germany.

Prices in eastern Germany rose 16.4 per cent from July 1990 to June 1991 while in western Germany prices rose 4.4 per cent in the 12 months to the end of July.

Russian party chief promises to co-operate

By John Lloyd in Moscow

THE Russian Communist Party's new leader, Mr Valentin Kuptsov, yesterday promised co-operation with President Mikhail Gorbachev, Mr Boris Yeltsin, the Russian president, and "other political forces".

For the past year, the Russian leadership has been a thorn in the side of Soviet reform and latterly an unyielding critic of Mr Gorbachev. However, on Tuesday night the party accepted the resignation of the discredited Mr Ivan Polozkov as general secretary and elected unopposed in his stead Mr Kuptsov, a former secretary of the central committee of the Soviet Communist party.

Mr Polozkov spent an unhappy year in office watching Mr Yeltsin plan to unseat him, liberal communists leave the party or reject his leadership, the humiliation of the party in the Russian, Moscow and Leningrad polls, the desertion from his side of his hardline allies and, last weekend, the formation of an alternative Russian Communist Party.

Mr Kuptsov, speaking after a stormy central committee plenum of the Russian party, revealed himself as a quintessential *apparatchik*.

While promising better co-operation, he said he opposed Mr Yeltsin's decree which has forced the party to wind up its branches at workplaces. Mr Kuptsov said he would use "all opportunities" to oppose it – but in the end, the party would abide by it if it proved to be constitutional.

He was accompanied at a post-plenum press conference by Mr Gennady Zuganov, a member of the Russian party politburo and an unrepentant hardliner.

Mr Zuganov, clearly restive under his new leader, said the party opposed the present turn to the market "because 90 per cent of it is criminal and if this goes on there will be a dictatorship, which I don't want because I'm a democrat".

Cash crisis faces Soviet communists

By John Lloyd

THE Soviet Communist Party is haemorrhaging money at the rate of Rbs1bn ($568m) a year and will soon face a cash crisis, according Mr Otto Latsis, one of the main, liberal, influences on the revised programme now being discussed in the party.

Funds were being drained by plummeting sales of all party publications, widespread non-payment of dues and an end to the many hidden subsidies paid to the party by the state and enterprises, Mr Latsis said.

The party was having to draw on a Rs4.5bn fund – some of it meant for pensions – set up by the communist party at its 28th congress last July.

The struggle within the party, he said, was not about property but about power, and control of the party press. At the same time, however, the party was beginning to capitalise on its huge real estate holdings – renting some out to foreign businesses, and establishing co-operatives and joint ventures.

Mr Latsis, who is also deputy chief editor of the party journal, Kommunist, said hardliners in the party were now working hard to ensure that they would control the majority of the delegates at the next congress, due to take place in November or December.

He said the fight over the programme, criticised by the hardliners for being social democratic in content, would take place there and could result in a split. It might even force the resignation of President Mikhail Gorbachev as party leader.

The programme, revised over the past two weeks after being adopted last month by the central committee plenum as the basis for discussion, will be published today. Mr Latsis said it had suffered many changes, "but it remains the same in conception."

The commission drafting the party programme had discussed on Monday the differences between present-day communism and social democracy. It concluded that social democrats wanted redistribution on the basis of private property, while communists thought that "in a mixed economy, state property should have priority."

It was on this basis, said Mr Latsis, that he and other reformers in the party still called themselves communists. However, he said there were no longer differences of principle between social democrats and communists."

"Some parts of the programme are no different from a social democratic one," he said. "There is nothing wrong with that. I don't think we have to prolong the split in the working class movement of 1917."

Mr Latsis thought Mr Gorbachev's chances of being elected Soviet president were small under today's conditions in the party and in the economy. "If the candidate for the presidency is from the communist party, we must show people it is another kind of party from what it was. We must get rid of the hardliners. The way he is working on the programme shows he means to do that."

He said that Mr Gorbachev retained control of the policy-making process but did not control the party congress nor the apparatus of full-time officials. "He wants to define the members as those who adhere to the new party programme – those who can't, can leave."

CSCE does its best to rise to the occasion

Judy Dempsey previews today's meeting in Prague and what the participants would like to achieve

A MEETING of the 35-member Conference on Security and Co-operation opens today in Prague at the behest of the European Community which is attempting to gain greater international support for its efforts to implement a lasting ceasefire in Yugoslavia.

The meeting is part of the CSCE's crisis management mechanism, set up in Berlin on June 20. Under that mechanism, initially opposed by the Soviet Union, any member state which considers that an emergency has arisen as the result of "major disruptions endangering peace, security or stability", or a violation of the principles of the Helsinki agreement, may first seek clarification from the state or states involved.

However, any decisions or solutions under the emergency procedure cannot be imposed. Furthermore, reaching substantial agreement within the forum of the CSCE is complicated because it works on the basis of consensus. "Decisions can be watered down in order to meet all objections. But time is running out," an Austrian official said.

Today's meeting, represented by ambassadors to the CSCE, and chaired by Germany, which currently holds the chair of the organisation, will include all the countries of Europe, plus the US, Canada and the Soviet Union.

This is the first meeting of the CSCE since July 3, when an emergency session was convened in Prague in response to the intervention by the Yugoslav federal army into Slovenia on June 26.

Since then, more than 300 people have died in fighting. Much of the fighting has taken place between Serbs and Croats in Croatia.

Yesterday, western diplomats were keen to stress the political as well as the symbolic importance of the CSCE meeting. "We want to send out clear signals to Yugoslavia's political leaders, that the EC, and the international community will exert as much pressure as possible to implement a ceasefire," a spokesman for Britain's Foreign Office said yesterday. He hoped that conditions for sending civilian monitors to Yugoslavia would be endorsed by the CSCE. "In this way, we will demonstrate that we are not walking away from the crisis."

Although there will no formal agenda, foreign ministry officials from Austria are hoping that the discussions in Prague will include ways in which to set up constitutional negotiations aimed at discussing the future of Yugoslavia's internal borders.

"Of course, we will insist that the leaders in Yugoslavia must commit themselves not to use force to change the country's internal borders," an Austrian official yesterday said.

The details had yet to be worked out. But if all the sides in the conflict in Yugoslavia agreed, the CSCE should be prepared to send foreign, legal experts to assist them in these negotiations, he said.

He added: "Yugoslav leaders now talk about a constitutional conference. But nobody can agree how to arrange it. There are objections raised when such a proposal is mooted by the eight-man collective state presidency. Then it gets passed to the presidents of the six republics. It goes round and round in a vicious circle. It is really time for the international community to really think about setting it up."

British and Austrian officials yesterday warned against making Slovenia's and Croatia's declaration of independence a priority at today's meeting. "This is not the time or place to discuss this," a senior Austrian foreign policy expert said. "It would only muddy the waters. If there was a move to recognise Croatia, without taking into account the future status of the ethnic Serb community there, or the future status of that territory already gained by Serbia, the meeting would run into serious problem," he added.

The Soviet Union, and other western countries opposed recognition of independence of these two republics during last July's meeting.

Kohl vows to be party candidate for chancellor in 1994 election

By David Goodhart in Bonn

MR Helmut Kohl, the German chancellor, last night brushed away any suspicion that he might be losing his appetite for office and confirmed he would remain the Christian Democrat (CDU) candidate for chancellor at the election in 1994.

Speaking on German television he indirectly rebuked his CDU general-secretary, Mr Volker Rühe, for pessimism about the state of the CDU and with typical equanimity said: "We have weaknesses and strengths and we must do something about the weaknesses."

Mr Kohl also stressed that the recent tax rise to cover some of the costs of unity would last only one year, as promised, despite scepticism from some economists about whether one year will suffice.

Separately Mr Manfred Carstens, state secretary in the Finance Ministry, reported that central government debt for 1991 would be only DM60bn (£20.4bn), DM6bn less than expected, mainly because local authorities in east Germany have not been able to spend as quickly as expected.

Mr Carstens also said that the German unity fund would be boosted by DM6bn a year between 1992 and 1994, to DM34bn in 1992, to DM26bn in 1993 and DM16bn in 1994.

On the recently revived debate about ending Germany's liberal asylum laws, Mr Kohl said that he favoured a constitutional change to prevent abuse of the law. However he rejected Social Democrat suggestions that the automatic right of settlement in Germany should be removed from people of German descent in eastern Europe and the Soviet Union.

Although the next two or three years will be turbulent for Mr Kohl's government he continues to benefit from the relative weakness of the Social Democrats whose new chairman, Mr Bjorn Engholm, has yet to prove himself.

Yesterday Mr Johannes Rau, an SPD deputy leaders, warned that the party faced the danger of following the Democrats in the US with their strength in the regions but apparent inability to elect a president. "There is now the enormous danger of a political division of labour along American lines," said Mr Rau.

German banking secrecy laws 'to stay'

By Katharine Campbell in Frankfurt

GERMAN banking secrecy laws will not be altered to comply with the recent constitutional court ruling on taxation of investment income, according to the Finance Ministry.

Mr Manfred Carstens, the finance state secretary, said yesterday: "I do not think it will be necessary to upset the [banking secrecy] provisions."

In June the constitutional court ruled inequitable the current system whereby savers are left to declare their investment income to the tax authorities voluntarily .

There had been discussion as to whether random checks of individual bank accounts should be allowed, or other attempts be made to lift the secrecy protecting banking customers.

The priority of the Finance Ministry, labouring to fund an historically high budget deficit, is to find a solution that does not unsettle the capital markets and provoke a wave of capital flight. The court set a January 1 1993 deadline for introduction of the new measures.

Mr Theo Waigel, the finance minister, has already made clear that the government does not intend to repeat the last disastrous withholding tax – announced in October 1987 – which sparked massive capital flight, and sent the D-Mark down 16 per cent against the dollar within four months.

Mr Carstens repeated earlier suggestions that a "hefty increase" in allowances for small savers was necessary. At the moment allowances amount to just DM600 ($351) for a single person and DM1200 for married couples.

Under consideration, he said, was a flat rate tax on investments unrelated to individual income tax bands.

Bonn admits it has rejected EFA system

THE German Defence Ministry yesterday confirmed that its representative on the committee managing the European fighter aircraft (EFA) had rejected the only bid for an integrated electronic warfare package for the aircraft, writes Paul Abrahams.

The bid made by Eurodass, a consortium consisting of Telefunken Systemtechnik of Germany, Marconi Defence Systems of the UK, Elettronica of Italy, and the Spanish groups Inisel and Ensa, was too expensive, the ministry said. It would be looking at other, less sophisticated, systems instead.

German defence spending has come under budgetary pressure following unification. However, the ministry said the government remained committed to developing the EFA, a $40bn project backed by Germany, Britain, Spain and Italy.

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WORLD TRADE NEWS

Norway to ease rules on high-tech exports

By Karen Fossli in Oslo

NORWAY, a member of Nato, said yesterday it would ease Cocom rules restricting sales of high-tech western goods to the non-Nato countries Austria, Finland, Ireland, Sweden and Switzerland.

Mr Bjoern Blokhus, a spokesman for the Foreign Ministry, said the move - which will take effect at the beginning of September - was in accordance with a new Cocom products list to be published next month.

This will also lift restrictions on certain strategic and non-strategic high-tech goods which will be granted export allowances.

Cocom, the Paris-based Co-ordinating Committee for Multilateral Export Controls, was established in 1949 to block the export to the Soviet Union and its communist allies of western high-tech products which could be used during war.

It consists of the members of Nato minus Iceland plus Japan and Australia.

Norway earlier was embroiled in a case in which exports were in violation of Cocom regulations.

Kongsberg Vaapenfabrikk, the state-owned arms maker, which has since been dismantled, in 1987 collaborated with Toshiba of Japan to sell advanced electronic equipment to Leningrad shipyards.

This enabled the shipyards to produce silent submarine propellers, making the vessels difficult for western radar to be.

'In the wake of détente between east and west it was natural to look at trade relations with those countries standing close to us' - Bjoern Blokhus, Norwegian Foreign Ministry

This was in violation of Cocom regulations and strained relations between Norway and the US for more than a year.

There was also the threat of a block on exports by Norway to the US military, a main market.

Norway has since tightened penalties for illegal Cocom exports and the maximum fine for violations was increased to a five-year jail sentence.

The five neutral countries which Norway named yesterday have been subject to export restrictions for goods which could be used for military purposes.

These sales had to be individually approved by Norwegian authorities.

The Foreign Ministry said that these countries had implemented effective export control routines for high-tech products and that it had participated in negotiations with Cocom to give these countries a new export status.

From September 1, Norway will give general export licences valid for two years for an unlimited number of strategic and non-strategic products to the five countries.

"In the wake of détente between east and west it was natural to look at trade relations with those countries standing close to us," Mr Blokhus said. He added that this was a way of reducing bureaucracy and easing company planning.

In the first quarter of 1990, Norway granted 2,972 Cocom-related export licences.

Of the total, 193 were for the five countries. By comparison, in the first quarter of 1991, 3,075 licences were granted.

Australia protests to EC on wheat subsidies

By Kevin Brown in Sydney

AUSTRALIA yesterday called in the ambassadors of the 12 European Community countries to protest against the EC's "indiscriminate" use of export subsidies for wheat.

The move was part of a campaign by government ministers to deflect growing public anger against US sales of subsidised wheat into Australian markets in Asia and the Middle East.

Mr Bob Hawke, the Prime Minister, said he regretted the US action, but urged Australian farmers not to blame Washington for using its export subsidies programme to try to force concessions from the EC.

Mr Hawke said the US had stood "side by side" with Australia during last year's failed negotiations in the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt), when the EC rejected demands for swingeing reductions in export subsidies on farm products.

"It would not be very sensible in terms of the interests of Australian farmers, or of Australia, to do anything which would fracture that united position with the US in trying to make the Uruguay Round work," Mr Hawke said.

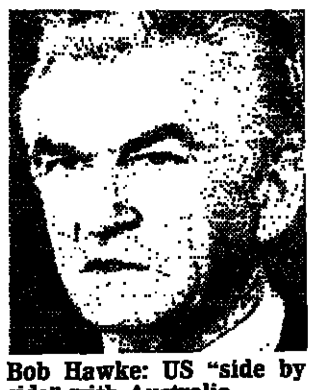
The government has been increasingly concerned recently by the growing demands from farmers' organisations and anti-American groups for the closure of US military bases in Australia in retaliation for subsidised grain sales.

Australian irritation with the US surfaced at a meeting between Senator Gareth Evans, the Foreign Minister, and Mr Richard Solomon, US assistant secretary of state for East Asia and the Pacific.

Mr Solomon said he and Senator Evans had agreed that the EC subsidy regime was the root cause of the wheat problem, but admitted the Australian side had described the US sales as a "toxic issue" between the two countries.

Australia has protested to the US about several sales of subsidised wheat to what it regards as its traditional markets in China, Kuwait and Yemen.

The Yemeni sale took place in spite of a US promise to avoid disrupting traditional Australian markets.



Bob Hawke: US "side by side" with Australia

Gatt negotiators closer on cut in farm subsidies

By William Dullforce in Geneva

TRADE negotiators succeeded in clarifying ideas on how to reduce government supports for agriculture last month, according to a note circulated by Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade (Gatt) to participants in the Uruguay Round trade talks.

But, the note implicitly recognises, only speedy decisions by European and US political leaders after the summer recess can resolve the deadlock over the reform of world farm trade which threatens to bring about the demise of the five-year effort to liberalise international trade.

In his note, based on the outcome of the talks in July, Mr Dunkel elaborates on the options for farm reform which he detailed in June. He emphasises the options are presented "without prejudice to participants' positions".

Governments have agreed that aid must be reduced in three areas: domestic farm supports, border protection and export subsidies.

Last month negotiators came closer to agreeing on which types of domestic support, such as direct payments to producers and governmental services, do not distort trade and need not be cut. Two basic criteria are suggested:

- the support must come from a publicly-funded government programme not involving transfers from consumers
- the support must not boost the prices paid to producers.

An illustrative list of government services which can be excluded is taking shape. They include research and training programmes; pest and disease control; extension, inspection, marketing and promotional services; and support for infrastructure, provided it goes to constructing capital works and not to providing on-farm facilities.

Negotiators earlier failed to agree on the definition of an export subsidy. Mr Dunkel's note suggests criteria covering any form of subsidy resulting in export sales at prices lower than those charged to buyers in domestic markets.

The note includes a list of 12 export subsidy practices which could be curbed. Among them are exports of publicly-owned stocks sold at less than their acquisition value, unless they are bona fide food aid deals. Government-backed export credits provided on less than fully commercial terms are listed.

During July, negotiators worked out in greater detail how non-tariff border restrictions, such as import quotas, variable import levies and voluntary export restraints, should be converted into customs duties and then reduced. But they are still far from agreeing how, when calculating the tariff equivalents, adjustments should be made for current differences between domestic and world prices.

Honda plans more European dealers

By Kevin Done, Motor Industry Correspondent

HONDA, the Japanese car maker, is planning to increase its European dealer network to around 2,000 by the mid-1990s from nearly 1,500 at present, the company said yesterday.

Over the same period it is aiming to increase its European car sales to about 250,000 from the 160,000 achieved last year.

Honda accounted for around 1.2 per cent of western European new car sales in 1990, but this is expected to increase as its expands its local European production base in the UK.

The Honda announcement follows last week's agreement between the European Community and Japan on trade in cars after the establishment of the single European market from the end of 1992.

Japanese car sales have hitherto been strictly limited in Italy, France, Spain and Portugal, but these markets will gradually be opened to increased Japanese sales after 1992.

Japanese car makers will need to expand their distribution networks in these countries in the 1990s to cope with their increasing volume of car production in Europe.

Honda is due to begin production at its first European car plant at Swindon, Wiltshire, in the UK in late-1992 with output rising to more than 100,000 cars a year by 1995.

Around half of the output of the Swindon plant will be sold under the Honda badge, with the remainder being marketed by Rover, the UK car maker.

Honda holds a 20 per cent equity stake in the Rover vehicle operations and Honda cars are already being built by Rover at its Longbridge, Birmingham, assembly plant.

Output of the Honda Concerto by Rover, which is 80 per cent owned by British Aerospace, will rise to 40,000 this year from 26,500 in 1990, and will remain at that level until 1995, Honda said yesterday in Tokyo.

Exports of Honda cars from Japan to Europe would not be increased and would total around 150,000 in 1995 compared with 154,200 in 1990.

Honda will increase car exports from North America to Europe however.

It started shipping US-made Honda Accord estate cars to Europe earlier this year and plans to boost exports of US-built estate cars to Europe to 10,000 a year by 1995 from an estimated 5,000 this year. Honda said that it hoped to increase European car sales to 300,000 cars a year in the second half of the 1990s.

S Korea sees rise in orders from Mideast

By John Riddling in Seoul

CONTINUED strong demand from the Middle East has prompted a steady increase in overseas orders for South Korean construction contractors so far this year, according to the Ministry of Construction.

Figures released by the ministry showed that Korean construction companies received 39 orders worth \$1.11bn (£648m) in the first seven months, an increase of 27 per cent over the same period last year.

The ministry forecast that demand would stay strong and estimated that by the end of the year total new overseas contracts would amount to \$4.2bn.

Construction orders in the period continued to be dominated by the Middle East. Korean contractors won orders worth \$202.9m from Saudi Arabia and \$162.3m from Libya.

But the first seven months also saw a sharp increase in orders from South-east Asia. Indonesia placed contracts worth \$173.4m with Korean companies, while the Philippines placed orders worth \$56.8m.

"This diversification of business is to be welcomed," said a spokesman for Hyundai Construction, one of South Korea's largest construction companies.

He added, however, that the Middle East would remain the largest market for Korean construction companies.

Korean construction companies are negotiating 19 overseas contracts worth a combined total of \$3.01bn. These include a thermal power plant in Libya, an oil refinery in Malaysia, a petrochemical complex in Iran and an extension of the King Khaled airport in Saudi Arabia.

Boeing in Japan talks to develop 'super jumbo'

BOEING of the US has told three of Japan's leading heavy-machinery makers it would like to work with them on the development of a "super jumbo" jetliner and supersonic transport, Fuji Heavy Industries said yesterday, Agencies report from Tokyo.

A spokesman said no concrete agreement was reached in last month's meeting between Boeing, Fuji Heavy Industries, Mitsubishi Heavy Industries and Kawasaki Heavy Industries.

The super jumbo is expected to offer 600 seats on international flights and up to 800 seats on domestic flights. The aircraft's development cost is estimated at Y500bn (£2.2bn) to Y1,000bn.

Venezuela buys eight tankers from Hyundai

HYUNDAI Heavy Industries, South Korea's largest shipbuilder, yesterday signed a \$500m (£292m) contract with PDVA Marina, a subsidiary of Venezuela's national oil company, PDVSA, for eight 86,000 dwt tonne oil tankers. Writes Joe Mann in Caracas.

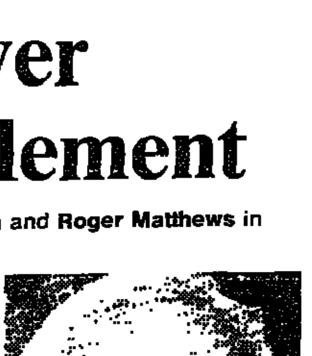
This order forms the first part of an expansion plan announced earlier this week by PVDSA to invest \$1.3bn in acquiring 22 new tankers.

The tanker deal will be fully financed by Mitsubishi, according to executives of PDV Marina, a subsidiary of PDVSA.

Hyundai is expected to deliver the first tanker by the end of 1993, with additional tankers completed every six months.

Britain accuses Israel over new settlement

By **Victor Mallet** in Jerusalem and **Roger Matthews** in London



Sharon: backed expansion

BRITAIN accused Israel yesterday of damaging Middle East peace prospects by building more settlements in the occupied Arab territories.

In a toughly worded statement the Foreign Office said: "We are deeply concerned by reports that yet another Israeli settlement has been opened in the occupied territories. This is illegal and provocative."

The UK complaint is just the latest in the long list of appeals to Israel over the past 15 years to halt its programme of settling more people on the land occupied during the 1967 war.

Israel has consistently ignored all such pleas and has instead built homes for close to 100,000 people in the territories.

The British statement added: "Those responsible for continuing this activity can be in no doubt of the damage they are causing to prospects for peace in the region."

Hopes for negotiations have risen sharply in the past few weeks as Syria agreed to attend a peace conference and Israel also accepted, provided agreement was reached on who represented the Palestinians.

The trigger for the British protest came when 10 Jewish families were moved into mobile homes at Eshkolot, two miles east of Israel's pre-1967 borders and nine miles from the West Bank town of Hebron.

The settlement at Eshkolot, previously a military outpost, is one of 23 new sites which were originally approved before the 1984 elections. Half have been established, but about 10 have yet to be handed over to civilian settlers.

Mr Ariel Sharon, the hardline Israeli housing minister, has encouraged the rapid expansion of many of the 150 or so existing Jewish settlements.

Gush Emunim, the religious settlers' movement, is pressing the defence ministry to convert a further two army posts into settlements immediately. Members of the coalition government insist that the settlements are not related to the peace process, although the US administration and Israel's Arab neighbours regard them as provocative.

A spokesman for Mr Moshe Arens, Israel's Defence Minister, who gave final approval for the Eshkolot move, stressed that the decision was not timed to hinder peace efforts.

Iraq giving IAEA only 'partial answers'

THE HEAD of a United Nations team seeking evidence of a secret nuclear weapons programme said yesterday Iraq was still providing only partial answers to their questions, Reuter reports from Baghdad.

Another UN team ended an inspection of Iraq's germ warfare capability, but its head said further inspections would follow.

Mr David Kay, leader of the International Atomic Energy Agency (IAEA) nuclear inspectors team, said that one of the problems facing his investigation was that Iraq had "a history of deception".

"It's still a piecemeal process," he said. "It's answers to questions, questions being presented, answers that are partial, generally going back and forth."

Mr Kay, who led an earlier team which flushed out evidence of a secret uranium enrichment programme, said this approach made it inevitable that further teams would visit Iraq.

Under the terms of the Gulf war ceasefire, Baghdad must declare and scrap its weapons of mass destruction. The US has threatened to attack targets in Iraq if it does not come clean on all its military secrets.

Mr Kay said that Iraq, which admitted having processed 2.26 grams of plutonium in May, had declared a further three grams after his latest team, the fourth of its kind, arrived on July 27.

The team gathering evidence on Iraq's germ warfare programme leaves today. Iraq admitted hours after the team arrived on Friday that it had conducted germ warfare research but said it had stopped the programme in the second half of 1990 – months before the start of the Gulf war.

● The IAEA in Vienna said yesterday that Iraq's secret attempts to produce plutonium breached a nuclear pact signed by Baghdad.

The agency said Iraq violated a safeguards agreement in the Nuclear Non-Proliferation Treaty designed to block a spread of atomic weapons.

But an IAEA spokesman said the amounts of plutonium known to have been produced in Iraq were so small there was no danger they could be used to make a nuclear bomb.

The spokesman said IAEA inspectors would not normally look for such small amounts of plutonium, as such in-depth investigations were too costly and time-consuming.

Dangerously exposed in the peace game

Tony Walker on PLO leader Yassir Arafat's rearguard action in the Middle East

MR YASSIR Arafat, the chairman of the Palestine Liberation Organisation, has never been one to sit still for long. His response to adversity is to travel, to move, to consult.

In the past few days, Mr Arafat has been back on the road again, as he strives desperately to avoid being left out in the cold in this latest round of Middle East peacemaking.

In quick succession he visited Morocco, Tunisia and Algeria, just hours before Mr James Baker, the US secretary of state, arrived in each of those places as part of his latest peace shuttle.

These are deeply worrying moments for Mr Arafat who has devoted his long career to trying to ensure that the PLO as the "sole legitimate representative" of the Palestinians could not be ignored in any proposed peace settlement.

Now, after all his efforts and endless manoeuvring, he finds that his organisation is in danger of being consigned to the shadows and barely consulted about steps towards a peace summit which is meant to focus on the Palestine question.

While the PLO leader may welcome the fresh attention that is being focused on him and his organisation, he cannot be at all sanguine about his position. Put bluntly, his capacity to influence events is limited, and he knows it.

It must be galling for Mr Arafat to observe his old adversary President Hafez al-Assad of Syria receiving plaudits in the west for his agreement to attend a peace summit with Mr Yitzhak Shamir, the Israeli leader, who continues to insist that he will not yield "one inch" of territory.

Not only will Mr Arafat be absent from such a gathering – something the Arab world appears to have accepted without demur – but there is even a question as to whether he will be allowed to nominate those who might represent the Palestinians in a joint Jordanian-Palestinian delegation.

All this is a far cry from the heady moments of late 1988 when Mr Arafat, in the glare of international publicity, announced that he was recognising Israel as a prelude to being accepted, he hoped, as a full partner in a US-sponsored peace effort.

The PLO leader's expectations where the US was concerned were always exaggerated. His belief in Washington's ability to deliver Israel to a peace gathering at which the PLO would also be represented were wildly unrealistic.

Mr Arafat's support for President Saddam Hussein in the Gulf crisis has made it easier for the Americans to do what they always wanted to do, which was to deal the PLO out of the game, at least in the initial stages of any process.

Since breaking a faltering dialogue with the PLO in June 1990, the US has not felt obliged to resume contacts, and Mr Baker has been devoting himself to the task of forcing the organisation ever further into the fringes.

The question for Mr Arafat is whether he can salvage some advantage from a process that now appears to be running ahead of him at a rapid rate. His latest equivocal statements neatly sum up the Palestinian dilemma.

"We have said 'Yes' to a peace conference and we do not pose conditions... but we are not bending to Israeli conditions," Mr Arafat said in Tunis this week.

Adding to pressure on the PLO is the fact that Mr Shamir, by his conditional 'Yes' to participation, has avoided for the time being the odium of being held responsible for failure.

Israel has seized the initiative and Mr Arafat has been left dangerously exposed.

Mr Arafat knows that for the sake of his own credibility and that of his organisation he must try to find a way to improve his very unpromising circumstances, hence his demand for a written undertaking from the Americans that UN resolutions requiring Israeli withdrawal from Arab land be put firmly on the table.

The PLO leader is talking about convening a meeting of the Palestine National Council, the Palestinians' supreme policy-making body, in Algiers next month to seek endorsement for whatever course of action he chooses.

But he knows there are risks. PLO militants may seize the moment.

The mood among PNC members is not necessarily in favour of compromise. Mr Arafat may well end up with hardline resolutions that limit his room for manoeuvre.

Palestinian disorder is now being reflected in conflicting statements being issued by PLO spokesmen.

The moderates believe that having in effect abandoned armed struggle after the defeat in Lebanon in 1982 and having embraced a peace strategy in the absence of any realistic alternative, a conference offers the best glimmer of hope for the Palestinians under occupation. Hardliners brand this approach a sell-out.

Mr Arafat must fear that his exclusion from the process will mark something of a death-knell for his own leadership and for the PLO itself, hence his hectic activity of recent days in an attempt to shore up what little support he has left among Arab states.

Much of the rest of the Arab world is likely to be experiencing little concern about Mr Arafat's discomfort, and in Baghdad his one-time ally President Saddam Hussein has other preoccupations.

In a long and turbulent career in which he has survived more than his share of crises, Mr Arafat's well-honed survival skills are to be put to yet another test.

If he says 'No' to Palestinian participation then he is in danger of being left out in the cold completely. If he says 'Yes' meekly to the US plan without anything in return he risks the wrath of PLO hardliners.

The PLO leader may well end up being damned if he says 'Yes' and damned if he says 'No'.

His is not an enviable position, but equally, Mr Baker would be foolish to imagine that peace in the Middle East can be achieved without Palestinian co-operation.

Fighting flares up in Western Sahara

FIGHTING between Morocco and the Polisario Front has flared in the Western Sahara after a lull of almost two years and both sides say it could jeopardise United Nations plans for a September 6 ceasefire and a referendum in January, Reuter reports from Algiers.

Polisario Front guerrillas say Moroccan aircraft have raided one of their positions twice in two days at Tifariti, a waterhole 15 km (10 miles) from the Mauritanian border.

Rabat did not confirm the air raids but said its forces were making sweeps across no-man's land.

A western diplomatic source in Rabat said Polisario had been moving forces from the Tindouf area in Algeria into the vast desert area.

The war for the Western Sahara, most of which is now under Moroccan control, has been raging since 1975, but the latest fighting is the first reported since November 1989.

Under the UN plan, accepted by both sides in June, Saharans would vote in January either for independence or integration with Morocco. Some 2,800 troops, police and civilians are to oversee the peace plan. The first elements of the force, set up by 34 countries, are due to arrive next week.

Mandela says talks could halt without interim government

MR NELSON Mandela, the leader of the African National Congress, returned from an overseas tour yesterday and immediately said he would put pressure on President F W de Klerk to accept his proposals for an interim government, Reuter reports from Johannesburg.

Mr Mandela told a news conference that peace and power-sharing talks could grind to a halt if Mr de Klerk did not go along with ANC plans for a transition to non-racial democracy.

"What we want is a transfer of power from this [white] government to an interim government. If it does not do so, it will be very difficult to move forward," Mr Mandela said. "We are going to put tremendous pressure on the government to adopt our approach."

Speaking shortly after his return from Europe and Latin America, the 72-year-old leader said recent disclosures of a government slush fund made the installation of an interim government an urgent necessity.

"The government must agree to a mechanism which will ensure that we will not have a similar scandal...and the only mechanism which will give this assurance is the installation of an interim government," he said.

Mr De Klerk's reformist white administration has admitted secretly giving the ANC's chief anti-apartheid rival, the Zulu-based Inkatha Freedom Party, and its affiliated union, more than R1.5m (£300,000m) to promote their activities.

Asked if he still considered Mr de Klerk a man of integrity in the light of the scandal, Mr Mandela said the ANC's opinion may have been exaggerated.

"However, I appreciate that the president is dealing with elements in his government and security forces who want to maintain the status quo," he said.

Twelve more stalwarts quit Bhutto for coalition

ANOTHER dozen party stalwarts deserted former Prime Minister Benazir Bhutto yesterday to join the governing coalition, the state-run news agency said, AP reports from Islamabad.

But Ms Bhutto's former law minister, Mr Iftikar Gilani, claimed the defections were part of a "campaign of terror" being waged against her Pakistan People's party.

Last week 15 law-makers deserted Ms Bhutto's left-leaning party and pledged their loyalty to the conservative Islamic Democratic Alliance. Ms Bhutto claims at least 5,000 party workers in her home province of Sindh have been arrested and imprisoned.

Three months after her government was dismissed last August, Ms Bhutto was overwhelmingly defeated in national and provincial elections and her party was relegated to a weak and ineffective opposition. She has accused her opponents of massive vote-rigging, a charge dismissed by most international observers.

"The object since August 6 has been to politically annihilate us," said Mr Gilani. Ms Bhutto held a token hunger strike last Saturday to protest at what she labelled Pakistan's civilian military rule. She has threatened to launch huge demonstrations if the alleged harassment of her loyalists does not stop.

UK-Vietnam 'progress' on boat people

By **William Dullforce** in Geneva

BRITISH-Vietnamese talks on the return of Vietnamese boat people in Hong Kong to internationally managed centres in Vietnam are "making good progress", a spokesman for the British mission here said yesterday.

Some outstanding points, on which he declined to elaborate, remained to be settled after the seventh meeting on the issue between Mr Martin Morland, British ambassador, Mr Nguyen Luong, his Vietnamese counterpart, and senior officials from the United High Commission for Refugees and the International Organisation for Migration (IOM). Another meeting will be held early next week.

The Vietnamese are understood to be voicing reservations about loss of sovereignty, if they cede control of part of their territory.

The proposal to set up centres, probably under IOM control, in Vietnam to receive Vietnamese returning from Hong Kong and south-east Asia aims at halting the exodus of refugees in small boats and solving the problem of how to deal with so-called economic migrants who have not faced political persecution in their home country.

More than 61,000 boat people, of which fewer than 6,000 have been accepted as genuine refugees, are at present languishing in overcrowded camps in Hong Kong and the rate of arrivals has increased again this year.

An outcry arose in the US and other countries when in December 1989 the Hong Kong government repatriated to Hanoi against their will an aircraft full of people declared to be economic migrants.

Vietnam agreed to discuss establishment of internationally managed centres on its soil after the US had indicated during bilateral US-UK talks in Washington earlier this year it would not oppose the project, provided the boat people returned voluntarily and were not forced to leave the centres for their homes.

A Beijing cyclist covers her mouth yesterday as she passes a workcrew spraying noxious and possibly dangerous insecticide in the city centre. The daily spraying is in an effort to combat a seasonal insect hatch.

Taiwan set for its first private sector oil refinery

By **Peter Wickenden** in Taipei

TAIWAN is to get its sixth naphtha-cracking plant and its first private sector oil refinery in a $4.8bn investment announced yesterday by the Formosa Plastics Group (FPG).

First proposed nearly five years ago, the project is intended to relieve Taiwan's worsening shortage of home-produced plastics and petrochemical feedstocks.

It has been delayed by soaring land costs at one chosen site and by opposition from environmental groups at several others.

Construction should begin in about eight months at Mailiao, a village near the southern port of Kaohsiung.

When it is finished in three years, the refinery will produce 9m tonnes of naphtha a year. The naphtha cracker will be able to turn out 450,000 tonnes of ethylene and 225,000 tonnes of propylene yearly for supply to 26 downstream plastics and petrochemicals plants included in the project.

Taiwan's total annual ethylene capacity is now around 845,000 tonnes, well short of demand of 1.3m tonnes. The gap is made up by imports, which last year grew by 140 per cent.

FPG's plan for a $7bn petrochemicals complex at Xiamen, on the Chinese coast opposite Taiwan, is still being considered. However, the Taiwanese government last year called a halt to the project for the time being.

Hong Kong moves to curb home price speculation

By **Angus Foster** in Hong Kong

HONG KONG yesterday moved to reduce speculative buying of new housing developments in a bid to dampen the colony's overheating property market.

The government is to increase the minimum initial deposit on flats to 5 per cent from 1.5 per cent of the total price. The penalty for failing to go ahead with a purchase doubles to 3 per cent. A government spokesman said the deposit rate could rise further to 10 per cent if speculation continues.

A number of other measures, including a lottery system to select purchasers, are being introduced to stop speculators driving prices up. Some residential property prices have risen by 30 per cent this year, mainly because of high demand and optimism following last month's agreement between Britain and China to build a new Hong Kong airport.

Hong Kong's leading banks, which often finance 90 per cent of home buyers' mortgages, have worried that prices have been rising too fast.

Shares in property development companies dipped on Tuesday before the announcement but recovered yesterday when investors saw the measures were not as severe as feared. Indeed property prices may not be severely affected because demand for flats, especially in the small to medium-sized ones, is increasing while supply is at a five-year low.

Challenger to Zambian presidency withdraws two days before vote

A YOUNG businessman who wanted to wrest Zambia's presidency from veteran ruler Mr Kenneth Kaunda withdrew his challenge yesterday, just two days before a crucial vote on the issue by the ruling party, Reuter reports from Kabwe.

"In the interest of party unity, I have decided I will not be contesting the party candidacy," Mr Enoch Kavindele told a party congress. To cheers and yells of "KK forever" from 6,000 delegates, Mr Kavindele hugged President Kaunda.

On Friday, the UNIP (United National Independence Party) votes to choose its presidential candidate for multi-party elections due by October. Mr Kaunda, in power since 1964, is now the sole nominee.

Mr Kaunda, 68, welcomed Mr Kavindele's decision to step down. "This is a demonstration of good clean politics. This will ensure continued unity within our party," he said.

Mr Kavindele, at 42 UNIP's youngest central committee member, said last month he would stand for president to save the ailing party from defeat at the multi-party elections.

Mr Kaunda, under pressure from a powerful new opposition movement as well as from foreign trade and aid partners, ended 17 years of one-party rule last December by agreeing to multi-party elections.

Zambia's slide into penury over the last decade, coupled with Kaunda's loss of personal popularity among the people, have made UNIP defeat at the elections likely, diplomats say. Kaunda has not yet set a date for the poll.

Mr Kavindele had little visible support among UNIP delegates at the congress, who continuously sang songs of praise for Mr Kaunda.

Inflation rate in Australia falls to 3.4%

By **Kevin Brown**

AUSTRALIA'S annualised rate of inflation fell by 1.5 percentage points to 3.4 per cent in the three months to June, the lowest since March 1970.

The unexpectedly large fall in the annual rate followed a smaller than expected rise of 0.1 per cent in the quarterly Consumer Price Index, largely caused by lower petrol prices and heavily discounted air fares.

The reduction was welcomed by Mr Bernie Fraser, governor of the Reserve Bank, and Mr John Kerin, the treasurer (finance minister).

However, Mr Kerin moved quickly to dampen hopes of a rapid easing of monetary policy.

"Today's CPI result is most welcome, but it does not by itself justify a cut in interest rates," Mr Kerin said.

The CPI figures confirm the trend of slower price rises in Australia and put the economy on course for inflation of less than 3 per cent by the end of the year.

Unemployment fell to 9.3 per cent in June after peaking at 9.9 per cent, but is expected to begin rising again when the July figures are released today.

Canberra gets tough on media ownership

By **Kevin Brown** in Sydney

AUSTRALIA'S Labor government yesterday said it planned tougher curbs on cross-ownership of media assets to prevent indirect control though "associates" of proprietors.

The announcement follows a bid for the Fairfax newspaper group by Tourang, a consortium led by Mr Kerry Packer, owner of Australia's Channel Nine television network, and Mr Conrad Black, the Canadian chairman of the London Daily Telegraph group.

Fairfax, which publishes the Sydney Morning Herald, The (Melbourne) Age and the Australian Financial Review, was put into receivership in December with debts of A$1.7bn (£770m) after defaulting on debts of A$1.1bn. The Tourang bid values the company at between A$1.1bn and A$1.2bn.

Mr Kim Beazley, the communications minister, said proposals to tighten the law would go to the federal cabinet "immediately," followed by legislation early in the next session of parliament, which begins this month.

The legislation will increase the powers of the Broadcasting Tribunal to investigate media takeovers by inserting a precise definition of "associates" into the Broadcasting Act.

The act bars owners of television or radio stations from holdings of more than 15 per cent in leading newspapers circulating in the same market. However, it does not specifically prevent indirect control through associates.

Mr Beazley said the legislation was not aimed specifically at Tourang, which also faces problems in persuading the government to allow a total foreign shareholding in Fairfax of 30 per cent, of which Hollinger, Mr Black's Canadian listed company, would take two-thirds. The balance would be acquired by Hellman and Friedman, the US investment bank.

Aggregate foreign shareholdings of more than 15 per cent in any Australian company require government approval.

Several other interested bidders are circling the Fairfax group, including Jamison Equity, an investment company 32.7 per cent owned by the London-based AFP Group, and Independent Newspapers, chaired by Mr Tony O'Reilly, the Irish chairman of Heinz, the US-based food group. Pearson, the UK corporation which publishes the Financial Times, has also expressed an interest in acquiring the Australian Financial Review.

Regional economic assessment offers a gloomy picture

Fed report sees uneven and slow recovery

By Michael Prowse in Washington

THE US economy is improving but at a slow and uneven pace, according to the Federal Reserve's latest Beige Book assessment of regional economic trends.

Manufacturers reported a gradual strengthening of demand in most regions, but the recovery was not uniform. Retail sales were flat or edging up in about half the 12 Federal Reserve districts. The spring pick-up in home sales was seen as losing momentum in many areas.

This gloomy picture of an economy at best inching its way out of recession provides further justification for the Fed's decision on Tuesday to signal a quarter-point cut in short-term interest rates to 5½ per cent, the lowest level for more than a decade. The cut in the federal funds rate was the first easing of monetary policy since the end of April.

Yesterday's report, prepared by the Federal Reserve Bank of Boston, covers the period to July 29 and will be discussed by governors and regional presidents on August 20, when the Federal Open Market Committee meets to assess monetary policy.

The report says a majority of manufacturers expect a gradual improvement in orders and production over the next three to six months. However, Cleveland, Atlanta and San Francisco described business conditions as mixed. Dallas said orders had softened recently.

Producers of consumer durables generally believed the trough was behind them while producers of capital goods and construction equipment said the bottom was close. However respondents from the steel and car industries and from Boston itself remained "very cautious."

Retail sales were flat or slightly higher in about half the Fed districts. But New York, Cleveland and Richmond reported declines. Retailers east of the Mississippi said weather fluctuations had distorted trends. The consensus outlook, however, was for a modest recovery in retail sales later this year.

Service sectors were generally seen as weak. Banks reported slack demand even from creditworthy borrowers. Housing markets appeared to have lost momentum since spring in half of the districts.

Cost-cutting by service industries and state and local governments had affected employment in many regions.

Business conditions in the Boston Fed's district – part of the depressed New England economy – were "mixed and uncertain." Manufacturers' sales and orders were flat to down compared with last year, with declines ranging as high as 15 per cent.

More than half of respondents reported recent softness of incoming orders.

Leap in Brazilian inflation

BRAZIL'S monthly inflation rate surged to 11.3 per cent in July, its highest level since March, according to figures yesterday from the Institutional Foundation of Economic Research, writes Victoria Griffith in São Paulo. The figure for June was 9.78 per cent.

The government responded by reimposing price controls on five food products whose prices had previously been freed. Another 10 products – including shampoo and tea – may also have price ceilings reimposed.

The private sector fears more price controls will cut into company profits this year.

No rush to mount Democrat challenge to Bush

Candidates are not falling over one another to announce a run for president, writes Peter Riddell

IT IS a party nobody wants to attend. Senator Jay Rockefeller of West Virginia yesterday became the latest in an illustrious line to rule himself out as a Democratic presidential candidate in 1992.

Senator Rockefeller, a member of the oil and banking family, said there was too little time to run a successful campaign and to be ready for an administration that "meets my own high standards". His interest in running has been on-and-off so far this year and earlier in the summer he attracted considerable attention over a plan to extend health coverage.

He joins others once thought of as likely runners, such as Congressman Richard Gephardt, the House majority leader, and Senator Sam Nunn of Georgia, chairman of the armed services committee. Senator Lloyd Bentsen of Texas, the Democrats' vice-presidential candidate in 1988, has also said he is not interested.

The only declared candidate is former Senator Paul Tsongas from Massachusetts, though Senator Tom Harkin of Iowa, a prominent liberal, has been campaigning around the country and is expected to announce his candidacy on September 15.

A further rush of decisions is likely after the summer holidays. Governor Bill Clinton of Arkansas has been consulting advisers about an announcement early next month, when Senator Al Gore of Tennessee is also planning to reach a decision. Both are moderate/conservative Democrats on many issues and Senator Gore was one of the few leaders of his party to endorse military action before the Gulf war.

Paul Tsongas (left) is the only declared candidate, while Al Gore (centre) and Mario Cuomo are not ruling anything out

Governor Douglas Wilder of Virginia, the sole prominent black candidate interested – with the Reverend Jesse Jackson currently on the sidelines – has commissioned a poll in the early primary state of New Hampshire and will also decide by next month.

Governor Mario Cuomo of New York, one of the most powerful speakers and campaigners in American politics, has remained his enigmatic self. He has said he is not interested, but has not ruled anything out.

The shortage of declared Democratic candidates is in marked contrast to the same stage four years ago when half a dozen Democrats were formally in the race. The difference is largely explained by President George Bush's continuing high approval ratings in the polls and the widespread assumption that he will be nearly impossible to beat next year. However, Democratic strategists believe Mr Bush is vulnerable over his alleged lack of interest in domestic policy and over issues such as unemployment and health care.

After a preliminary discussion at Camp David last Saturday, Mr Bush has given the go-ahead for a re-election and fund-raising organisation to be set up after the holidays.

Potential Democrat candidates have to make up their minds soon to raise sufficient money to fight an extensive primary campaign. An additional complication is the still unresolved debate in California about whether to shift its presidential primary from June to March. That primary could have a decisive impact on the contest, but the state's size and the need to campaign through expensive television advertisements favours a well-known and well-financed candidate, such as Governor Cuomo.

Senator Gore has done well in some polls and has the advantage of a strong foreign policy stand. Governor Clinton has impressed many party workers with his appearances round the country and Senator Harkin has the backing of the party's liberals, while Governor Wilder is likely to have large support from the black community.

At present, however, 1992 is a race many leading Democrats think it would be better to avoid – though at least three or four will soon have found the temptation too great to resist.

US to tighten powers against takeovers by foreign groups

By Peter Riddell, US Editor, in Washington

NEARLY 10 months of uncertainty over White House powers to block foreign takeovers of US companies look set to end soon.

The Exon/Florio provisions for monitoring such acquisitions lapsed last October with the expiry of the Defence Production Act. But new legislation approved by Congress and now at the White House would make permanent the presidential power to review such deals and, if necessary, block them on national security grounds.

Since the powers expired, the Treasury has operated an informal monitoring system, encouraging companies to submit detailed proposals about a deal if they are uncertain of a potential national security problem.

However, the administration has lacked the legal power to block any transaction and has only had the implicit threat that, when the powers were renewed, the White House would be able to use the provisions to order divestiture of any deal which threatened national security.

This retrospective power, together with uncertainty about whether the rules would be tightened, appears to have deterred some transactions.

Several measures have been put forward in Congress to strengthen presidential powers against foreign takeovers, notably by broadening the criteria for blocking a bid to cover economic security, as well as national security. These proposals have been strongly opposed by the Bush administration.

There are a record number of measures pending on Capitol Hill which would adversely affect foreign investors.

These range from restrictions on foreign ownership of US cable television systems to excluding foreign-controlled companies from a liberalisation of anti-trust law on joint ventures.

Democratic Senator James Exon of Nebraska, one of the authors of the original provisions, said permanent authorisation was needed even more now, with US defence spending in decline. He said the measure "gives the president the power to assure that American industrial and technological strength is not lost to foreign takeovers, mergers and acquisitions".

The White House has only used its formal powers to block a deal in one case, although several transactions have been restructured to meet national security worries following consultations with the Treasury-led inter-agency group, known as the committee on foreign investment in the US.

Some deals may also have been dropped for fear they might be blocked.

Prominent broadcaster dies in US

MR Harry Reasoner, a prominent American broadcaster, died at a Connecticut hospital on Tuesday of cardiopulmonary arrest, Reuter reports from New York.

Mr Reasoner, who was 68, co-hosted one of the most successful US television news shows, 60 Minutes. He had been in hospital since June 11, CBS News said in a statement.

The white-haired, craggy-faced journalist was a veteran CBS News reporter and former ABC Evening News broadcaster who won numerous journalism awards.

He won three Emmy awards, a George Foster Peabody Award for "outstanding contributions to television news" in 1967, and was honoured by the Overseas Press Club of America for best television documentary on foreign affairs for a report on Africa.

Mr Reasoner, the author of three books, is survived by his wife and seven children.

Rift grows over Quebec hydro-electric scheme

By Bernard Simon in Toronto

SUPPORTERS and critics of Quebec's huge Great Whale hydro-electric scheme are hardening their positions as the issue escalates into one of North America's fiercest confrontations over the environment.

Mr Robert Bourassa, Quebec's premier, has attacked aboriginal groups who are fighting to block the C$12bn (£6bn) project, and is insisting that the project will benefit the province as a whole. For their part, chiefs from nine Cree communities on the southern tip of Hudson Bay, where the project will be located, have demanded wider consultation over the ecological impact of the scheme.

The chiefs, who are supported by US and Brazilian environmental groups, have been meeting this week to plot strategy.

Meanwhile, Mr David Dinkins, mayor of New York, is reportedly about to ask the state's power authority, which would be Great Whale's biggest customer, to revise its contract with the supplier, Hydro-Quebec. The power authority has until November 30 to review the contract.

The project, centred on the Great Whale River, 600 miles north of Montreal, would supply 3,100MW of electricity after completion in 1998. Great Whale is part of a larger development plan for the area which would eventually be the world's biggest hydro-electric scheme, accounting for a quarter of North America's power from this source.

Construction work involves damming several rivers and flooding about 2,000 square miles of land. Native groups say the project will destroy their traditional way of life and threaten wildlife species.

The protests have already forced Hydro-Quebec to delay plans to start building 350 miles of access roads.

NIGERIA

Central bank will provide cover for $16m

By William Keeling

NIGERIAN banking officials disclosed yesterday that accounts holding $26m belonging to the Lagos-based affiliate of BCCI have been frozen in two London branches of the bank.

A senior official of African Bank International, formerly BCCI (Nigeria), told the Financial Times that the deposits were held at BCCI's Cannon Street and Leadenhall Street branches in London.

In an interview which provided the first details of the ramifications of the BCCI collapse for Nigeria, the official said that the country's Central Bank had stepped in, and would provide up to $16m to cover letters of credit affected by the freeze.

A key condition of the cover is that suppliers provide a letter of indemnity which states that they will not make a claim on the frozen letter of credit to overseas liquidators of BBCI.

BCCI (Nigeria), which was 60 per cent Nigerian-owned, last month changed its name to African Bank International (ABI). The process was set in train following the termination at the start of this year of BCCI's management contract.

BCCI retains its 40 per cent holding but ABI is proposing either to find a new foreign partner or to arrange for the sale of the shares on the Nigerian market.

The Lagos affiliate corresponded with the Cannon Street branch for letters of credit transactions. The Leadenhall Street branch dealt with domiciliary accounts. The official said that $16m had been frozen at the former and $10m at the latter.

He said that as a result of the international collapse of BCCI, customers of ABI had made significant withdrawals. He said that from total deposits of 1.63bn Naira ($140m) on July 5th, 300m Naira had subsequently been withdrawn.

He said that customers who had withdrawn money from their accounts were mostly expatriates who also held accounts with BCCI abroad.

Bankers report, however, that many Nigerians may have held accounts with BCCI in London without the involvement of the Lagos affiliate. They say that the potential loss to Nigerian businesses and individuals is likely to be significantly higher than ABI's $26m of frozen funds.

The Nigerian affiliate of BCCI was set up in 1979 and has become one of Nigeria's largest banks with 45 branches throughout the country.

The largest individual shareholder is understood to be Mr Ibrahim Dasuki, a wealthy Nigerian businessman who, until his induction in 1988 as sultan of Sokoto, was BCCI (Nigeria) chairman.

He relinquished this post when he became sultan, the titular leader of Nigeria's moslems who make up around half the country's 115m population.

The post was filled by Mr Mamman Daura, a Kaduna-based businessman related by marriage to the sultan.

Controversy attended the selection of Mr Dasuki as sultan after the original decision of the Sokoto royal "kingmakers" to select the late sultan's eldest son was reportedly overturned by the government of President Ibrahim Babangida.

Rioters ransacked the Sokoto branch of BCCI and attacked property belonging to Mr Abubakar Alhaji, Nigeria's influential minister of finance, who is a close relation of Mr Dasuki.

The closely-knit northern moslem hierarchy plays a key role in Nigeria's economic and political affairs.

Lagos bankers say that the choice of Mr Dasuki as chairman of BCCI (Nigeria), and his replacement by Mr Daura, gave the bank ready access to the political elite and a competitive advantage over many other banks.

Tragic figure at the heart of a scandal

Christina Lamb interviews Agha Hasan Abedi, the Pakistani founder of BCCI

THE FRAIL figure in white sitting in a stiff-backed chair, head held up determinedly and fingers twiddling, is hard to equate with a man who founded the bank at the centre of what is being described as the world's largest financial scandal.

After two heart attacks and a stroke in which he suffered brain trauma and damaged vocal cords, 69-year-old Mr Agha Hasan Abedi speaks *slowly and painfully. His* young wife Rabia finishes his sentences for him. Around them the financial empire he built up has crumbled into a morass of allegations of bribery, corruption and massive fraud.

Engaged in his own daily struggle to regain his health, Mr Abedi appears unaware of *the furore surrounding BCCI*, which he founded in 1972 and then built into the Third World's most successful bank, with branches in more than 70 countries.

"I don't feel sad," he says, in his first interview with a western journalist since BCCI's closure on July 5. *His* wife patiently tries to impress on him the extent of the scandal, in which many people have lost their life savings and at least $5bn (£2.9n) of the bank's $20bn declared assets remain unaccounted for.

Mr Abedi may hold all the answers to how BCCI spun its worldwide web; but, able to speak only in phrases, often hopelessly vague, he cuts a tragic figure, throwing little insight on his dream and how it was shattered.

In his more lucid moments, Mr Abedi remembers the days *up until his illness in February* 1988 when he used to lunch with presidents and dine with Arab sheikhs. "I've been to every country," he says, "all the top politicians and heads of state were my friends, Jimmy Carter, James Callaghan, I knew them all." He adds: "They were all helpful, the Bank of England, NatWest, they all helped and if I go to them again they will again be helpful."

Nowadays his daily life revolves round physiotherapy *and exercise sessions to try to* regain the use of his legs. In between books on art and gardening, his living room shelves are lined with works on great men such as Churchill and Lenin. Mr Abedi himself is destined for the history books – not, as he had hoped, for his philosophy, but for the ever more extraordinary allegations against his bank.

Yet he remains optimistic that he can one day return to the same high-powered circles. It was his ability to cultivate rich and powerful men on which Mr Abedi's career depended. His beginnings were humble, as a teller in Pakistan's Habib Bank. His success *has built him into a legendary* figure in his home country, giving Pakistanis something to aspire to and benefiting thousands with his charity work.

Some compare him to a pioneer breaking new territory – others liken him less favorably to a man who wanted to play God, influencing people's lives and government policies using depositors' money. Mr Abedi claims no such pretensions. "I always wanted to be a banker," he says, adding: "I never read a banking book in my life, it was *in my blood.*"

The mention of banking is the one thing that brings light into the deep-set eyes behind heavy-rimmed glasses. He is, he says, "working on a new bank" – a plan conceived by *his wife and friends in the* hope that it would help him to regain health. In spite of the controversy which has led to Abedi's indictment in New York on fraud charges they have not yet withdrawn the application for a licence from the Pakistani government, which remains staunchly supportive of him.

The philosophy behind BCCI was "goodness" he says, and "a belief that all religions and peoples are basically the same". He adds: "We had 87 nationalities working in the bank, that's why it grew so vast. I created the philosophy and the bank grew by itself."

As Mr Abedi begins to ram*ble and stares out towards the* manicured lawns in the compound surrounding his affluent Karachi home, his wife explains: "He believed morality and materialism can go hand in hand."

His belief that he could inspire a new eastern corporate culture and stamp it on the west won many converts, such as Mr Humayun Gauhar, a family friend, who says: "He was trying to create a new set of corporate ethics where the moral and material would *work together in the pursuit of* profit."

Mr Abedi's route to success began in 1959 when he persuaded one of the Saigols, textile magnates among the richest families in Pakistan, to hire *him as a middle manager for* a textile mill in Quetta in Baluchistan, Pakistan's most backward province. After 18 months he went to Yusuf Saigol, who wrote him a cheque for Rs10m and United Bank Ltd was born.

"Within days, weeks and months he had performed miracles and we made him managing director," says Mr Naseem Saigol, Yusuf's son. Working under the slogan "progressive banking", UBL was the first company in Pakistan to bring in computers and branches were created across the country, the emphasis always on growth.

I*t was during those days in* the late 1960s that Mr Abedi had a fateful meeting. Sheikh Zayed bin Sultan al-Nahyan, the tribal ruler of Abu Dhabi, had flown to Baluchistan to hunt sand bustard. Of little significance in the pre-oil boom days, the sheikh knew no one in Pakistan and it was UBL, in the form of Mr Abedi, *that provided all the* courtesies. "From then on," says Mr Saigol, "UBL became the host for Sheikh Zayed and all the sheikhs."

When the oil boom came, it was time for Mr Abedi to go hunting himself among his newly oil-rich friends. With nationalisation looming for UBL, Mr Abedi flew to Abu Dhabi and left with another *cheque, this time for $2.5m*, and a mission to build the world's biggest bank by the turn of the century.

BCCI's growth was phenomenal. Taking with him his closest colleagues from UBL, Mr Abedi built an empire of 400 branches attracting 1.3m depositors cashing in on the oil boom and the wave of Pakistani migrants working in the Gulf who, in the heyday in the early 1980s, were sending back as much as $3bn a year in remittances.

It was never enough. The obsession for more and more deposits meant increasing cutting of corners and a blind eye turned to the sources of depos*its, whether from drug smug*glers, corrupt officials or terrorist groups. "BCCI became the bank to bank with if you had something to hide," says one Pakistani businessman who admitted he kept two accounts, only one of which was registered and thus taxable.

It was those unregistered deposits that were, according to a former senior executive, used to plug holes in the balance sheets. "The books had to show ever-upward growth so *losses were hidden by adjust*ing from one branch to another or even one country to another. The whole thing was like a house of cards."

The reason the house began to weaken, say Mr Abedi's associates, was *his desire for* international recognition. "He wanted to be bigger than the bank, he wanted to control countries and heads of state, *obliging them* with jobs for relations, balance of payment help, gifts," says a family friend.

In spite of Mr Abedi's connections, the bank never had a home base, nor really broke into the Saudi or American markets. In a desire to enter the US, Mr Abedi allegedly made deals with the CIA, transferring *covert funds* and tying himself in with dubious characters in the business and intelligence worlds.

In the relentless search for deposits, a whole new meaning was given to personal banking. While smaller customers enjoyed a cup of tea in their local branch with an officer who inquired after their family, important clients *could call* up from anywhere in the world and be delivered with large sums of cash or secure loans without collateral.

Inside the bank, Mr Abedi built up a personality cult, with senior executives dressing like him and quoting his philosophies. On their desks managers had framed BCCI slogans behind which was a subliminal photograph of Abedi.

Those who had started with him from UBL remained his senior lieutenants, drawing *high* salaries *often through* flattery rather than merit. No employee was ever sacked. "The main reason for his downfall was his blind trust in senior executives who did not grow as fast as the bank, but became corrupt and incompetent," says Mr Khalil Zobairi, a former UBL and BCCI director.

On leaving the bank, large golden handshakes were apparently paid to make sure this inner circle did not take its secrets with them.

It was only on July 5 this year, when the Bank of England announced BCCI's worldwide closure, that the full extent of what had been happening inside its palatial build*ings began to emerge.*

Mrs Abedi insists that things only started going wrong inside BCCI after Mr Abedi's illness. "It was as if you had a chain of horses running at full flight and the man with the reins is suddenly removed, leaving them all to collide with each other."

She believes that some of her husband's former inner circle may have turned against him.But Mr Abedi himself insists: "I have never been betrayed."

Mrs Abedi says her husband had intended to slow down over the next five years, allowing the bank to consolidate and him to gradually spend more *time with her.*

With his health lost, then his bank and now his reputation, time is all Mr Abedi has left to contemplate the beautiful things he surrounded himself with. In spite of the exquisite decor of his living room, and with a bearer serving tea from a silver pot, close family sources put his wealth at only a few million dollars and worry about selling carpets to pay legal fees.

Mr Abedi, his head lolling, only smiles enigmatically and *says: "Nothing is unfortunate.* The word should be removed from the dictionary."

WORLD ROUND-UP

Peru to look into reserves allegation

PERU'S senate has approved the creation of a special panel to investigate alleged wrongdoing in connection with BCCI.

The motion said the five-member, multi-party panel would "investigate irregularities in the placement of reserves by the Central Reserve Bank of Peru in overseas banks, especially those in the BCCI".

Two former officials of Peru's central bank were named last week by Mr Robert Morgenthau, Manhattan district attorney, as having received $3m in bribes for placing up to $270m of Peru's reserves in the bank in 1986 and 1987. Mr Hector Neyra and Mr Lionel Figueroa, former *officials, deny the allegation.* The deposits were made when Peru had sharply limited its debt payments and was vulnerable to having its assets *seized.*

The panel will also investigate BCCI's possible connection "to the sale or traffic of arms in which Peru may have been involved", an apparent reference to BCCI's alleged role as a broker in the sale of Mirage jets, originally ordered by Peru, to third countries.

The motion called for the panel to require Peru's government to request the US Treasury Department for information on 13 former officials of two past governments who *had moved large amounts of* money into the US.

Mr Fernando Olivera, head of a congressional panel probing the alleged self-enrichment of former president Mr Alan García, told a press conference earlier: "We have a long list of former officials of García's government who are connected to the BCCI case, but we do not want to reveal them because it could impede our investigation."

Mr García, now a senator, said on Monday night that he was aware the reserves had been deposited in the bank, but that he had had nothing to do with placing them there.

ABU DHABI: The emirate may *face losses of about $12bn* (£7bn) due to the enforced closure of BCCI, according to latest estimates by Gulf bankers and officials.

Various independent estimates have put the overall loss at anything from $4bn to $15bn. Gulf officials outside Abu Dhabi said the Abu Dhabi authorities themselves believed the figure would be $12bn.

PAKISTAN: The government said yesterday that it knew nothing of a British auditor's report that the central bank had fined BCCI Pakistan.

The auditor's report, published in The Guardian, said the State Bank of Pakistan had *fined BCCI Pakistan in December* 1988 for paying excessive interest on accounts to attract deposits and for breaking three other banking regulations. The newspaper did not disclose the amount of the fine.

The auditors' report was prepared for and delivered to BCCE, which is negotiating with the government to buy BCCI Pakistan's operations.

Mr Sartaj Aziz, finance minister, said: "The state bank makes routine investigations, but this is the first I've heard of this auditor's report or of an earlier fine."

Mr Khalil Hasan, manager of BCCI in Karachi, claimed that every bank in Pakistan had been fined by the state bank for one reason or another, including BCCI. He refused to say how much BCCI Pakistan has paid in penalties.

He said: "Fines are not unusual in Pakistan. Almost every week the banks here . . . are penalised for something."

Most Pakistanis believe BCCI's worldwide closure was a conspiracy by the developed world to destroy the Muslim bank.

INDIA

Minister jeered by opposition

By K.K. Sharma
in New Delhi

THE INDIAN government has no information about payments to Indian politicians *and financing of terrorists by* the Bombay branch of BCCI. Dr Manmohan Singh, minister for finance told the parliament yesterday. His statement prompted a strong attack from opposition members, some of whom walked out in protest.

Allegations of payments have been published in Indian newspapers for the last few *days, based on reports of testi*mony given by a private investigator to a US Congressional committee in Washington.

Dr Singh delayed making a statement on opposition demands for clarifications for three days. The matter is expected to be debated further by the Lok Sabha (lower house of parliament).

"The government is hiding information. Why did he [Singh] go? He had something to hide," said Somnath Chatterjee, a member of the Communist Party of India (Marxist). "Call him back," several members screamed as the speaker of the house, Shivraj Patil failed to pacify them.

BCCI's Bombay branch is now being liquidated. Dr Singh said total assets were more than liabilities so depositors' interests were protected.

MEETING WITH MP

Talks role 'would compromise' Bank

By Ivo Dawnay, Political Correspondent

SENIOR Bank of England officials yesterday all but ruled out an appeal from Mr Keith Vaz, the Labour MP championing the interests of BCCI depositors and staff, to become actively involved in efforts to restructure the bank.

During an hour-long meeting with a deputation of six people led by Mr Vaz, the officials said any Bank involvement in the bilateral talks between Touche Ross, the provisional liquidators, and the Abu Dhabi government, BCCI's principal *shareholder*, would compromise its status as an independent regulator.

The Bank said it looked sympathetically on the concerns of depositors and staff but was unable to play a role in the discussion now under way.

The Bank said later: "It would be very difficult and possibly even improper for us to be involved as an active party in broking or negotiating *a restructuring when we would* then have to sit in judgment on our own proposal."

Mr Vaz, Leicester East MP, described the Bank's position as "an absurdity", arguing that he had received a letter from Mr John Major, the prime minister, on July 28 specifically citing the Bank of England's responsibility to safeguard the interests of depositors, creditors and staff. There was no *statutory regulation that pre*cluded them from taking part in the talks, he added.

"They are not non-partisan, they are a party to the proceedings," Mr Vaz said. "As such, it is their duty to be involved. There are only four months in which to act and they should be setting a timetable."

MIDDLE EAST

Potential threat hangs over Islamic banks

By Stephen Fidler

THE CLOSURE of BCCI, which became heavily involved in Islamic banking, has the potential to injure Islamic banks and other financial institutions in the Middle East, according to bankers with knowledge of the region.

Islamic banking covers a variety of procedures that allow devout Muslims to invest funds in accordance with *sharia* law, thereby avoiding the earning of interest – which is proscribed by Islam.

BCCI started Islamic banking activities in 1984, but only began to develop the business aggressively in 1987. According to the report to the Bank of England by auditors Price Waterhouse, prepared in June, Islamic placements with BCCI amounted to $1.4bn at their peak at the end of 1989.

Bankers *familiar* with Islamic banking say those amounts started to fall last year, partly because of worries about the bank's propriety after allegations in the US about money laundering.

However, they say that some Islamic banks remained heavily exposed to BCCI even at its closure. The Price Waterhouse report focuses specifically on one, to which it gives the code-name Tumbleweed. Sources knowledgeable about BCCI's activities say the institution is the Faisal Islamic Bank. Based in Cairo, it is majority-owned by the Egyptian government but affiliated to the Geneva-based Dar Al-Maar Al-Islami group. Its chairman is Prince Mohamed bin *Faisal al-Saud of Saudi* Arabia's ruling family.

According to the Price Waterhouse report, some 25 per cent of its assets are placed with BCCI, some $170m of which dates back to before 1982. The report says: "It does appear that there is a significant liability to Tumbleweed which has not been recorded in the books." At the end of last year, it said outstanding transactions totalling $358m were not recorded in the books.

In February 1986, the report says that about $246m of Tumbleweed deposits were unrecorded by BCCI – and which BCCI's treasury used as free funds.

The agreements between Faisal Islamic and BCCI stated *that the funds were to be* invested in commodities under Islamic law. However, the BCCI reports remarks that "although prices for spot purchases and *forward sales of* commodities are always quoted on each deal, we have seen no evidence to suggest that the bank entered into commodity contracts."

However, the arrangements were useful to Faisal Islamic in the 1989 Egyptian banking crisis "when two $20m interest-free deposits were made and the [BCCI] group arranged shipment of dollars to Egypt to enable Tumbleweed to meet its customer needs."

The disclosures will increase cynicism among some western bankers that many of these "Islamic" transactions are little more than a construction to hide conventional interest-paying banking: the yields on the BCCI transactions with Faisal Islamic involving spot and forward commodities contracts are equivalent to that on time deposits. There is no evidence in the Price Waterhouse report *that Faisal Islamic was aware* of the way BCCI was handling its funds. However, the *sharia* code is interpreted differently by different institutions. Those who *interpret it most strictly* do not allow funds to be placed in non-Islamic institutions. They also frown on the type of operations in which it was ostensibly indulging.

Baker under pressure over London prison escape

By Ivo Dawnay, Political Correspondent

Baker: rejected inquiry

MR KENNETH BAKER, the home secretary, yesterday rejected opposition Labour party demands for a public inquiry into last month's escape by two Irish Republican Army suspects from Brixton prison, London, as a growing political storm surrounded his personal responsibility for the break-out.

The call came from Mr Roy Hattersley, the opposition spokesman on home affairs, following press reports that Mr Reg Withers, the former Brixton governor, had privately *told colleagues* he was being made a scapegoat for mistakes at departmental level.

On Monday Mr Baker published a report into the escape which disclosed that prison service officials and Brixton prison had been tipped off about an escape plan in February. But he argued that the mistakes had been operational and not a consequence of ministerial policy.

In a letter to Mr Baker yesterday, the Labour deputy leader said the new allegations raised "crucial questions about the efficiency of the Home Office and your personal conduct", fuelling speculation that the affair could yet force the home secretary to reconsider his decision not to resign.

Mr Hattersley's demand for the full publication of Judge Stephen Tumim's report, partially published last Monday, and a fresh inquiry conducted by an independent tribunal met a swift rejection, however.

Responding for Mr Baker, who is on holiday in France, a home office minister said the department had already made public all that could be "safely" revealed without compromising security.

She said a disciplinary inquiry was now under way along with a separate security audit on the handling of category A high risk prisoners.

"With regard to statements allegedly made by the Governor, Mr Withers, contrary to suggestions in the press no specific request was made by the governor for the two prisoners to be moved from Brixton," her reply said.

"Information about a possible escape was received at the prison and by officials in the prison department. This information was not passed to ministers or senior officials."

Earlier, the Home Office had issued a statement on behalf of Mr Withers denying that he made a written request that Mr Nessan Quinlivan and Mr Pearse McAuley, the two escaped IRA suspects, be removed to a prison with better security.

However, according to one newspaper report yesterday, Mr Withers has told colleagues that he had "made a report to my superiors" that the two men should not be held in Brixton.

Mr Withers' removal from his post to take up pre-retirement leave prior to his sixtieth birthday in October has rallied the Prison Governors Association to his case.

Mr Harry Brett, the association's chairman, said yesterday that the governor had acted on a tip-off about an escape attempt received from within the prison, but had received no warnings from the Home Office itself.

Earlier the association argued that the escapes would not have taken place if ministers had acted more swiftly on plans to improve security at Brixton drawn up last year.

DEFENCE

Smiths awarded key US military contract

By Charles Leadbeater, Industrial Editor

SMITHS INDUSTRIES, the British based aerospace and medical equipment group, yesterday significantly strengthened its position in the US aerospace industry by winning developments contracts from the US military which should lead to orders worth almost $400m.

In the largest deal Smiths beat off competition from Litton Industries, the US aerospace group to win the development contract to supply the US military with a new generation of aircraft gyroscopes.

The award to Smiths is a blow for Litton which has held a dominant position in military gyroscope manufacturing for many years.

Smiths has been awarded a $13m contract to develop a new generation of gyroscopes to be retrofitted onto US military aircraft and a $15m contract to develop specialised equipment racks for US Navy aircraft.

The contracts are further evidence of Smith's growing strength in the US aerospace industry. In April it was awarded an avionics contract from Boeing, the civil airframe manufacturer, which could be worth about $700m over the next decade. Smiths is providing Boeing with an innovative flight management and information system which was originally developed for military aircraft.

The military contracts have been won by two of Smiths' US subsidiaries, which it acquired in 1987 to strengthen its position in the US market.

Smiths believes that despite declining military spending orders to upgrade aircraft through fitting advanced electronics should provide it with a good market in the next decade.

Its main plant at Grand Rapids in Michigan will develop and produce the gyroscopes, which show an aircraft's attitude and heading. The US military is replacing its mechanical gyroscopes with a new generation of electronic systems. The Smith's gyroscopes, which use an innovative fibre optic technology, will become standard products to be retrofitted to all US military aircraft from 1995. The alternative used the kind of laser technology employed in the highly sophisticated guidance systems in cruise missiles.

As well as orders from the US military for gyroscopes worth about $800m between 1995 and 2005, Smiths estimates there is considerable export demand.

The company's New Jersey plant has won a separate $15m development contract for equipment racks to carry airborne self protection equipment. Analysts estimate this could generate sales of more than $90m in the ten years to 2005.

● Trade unions called on the government yesterday to encourage defence manufacturing companies to diversify after publishing a survey showing nearly 36,000 job losses in the sector this year and last writes Michael Smith. The report says that the 35,831 job losses amount to 10 per cent of employment in primary suppliers to the Ministry of Defence and more than 5 per cent of total private sector defence employment.

The list of companies which have made workers redundant includes British Aerospace, Vickers, Dowty, Rolls-Royce aerospace division, Marconi, GEC, Westland Helicopters and British Nuclear Fuels.

Short Brothers of Belfast cuts 250 jobs blaming sector recession

SHORT BROTHERS, the Belfast aircraft and missiles manufacturer, blamed the recession in the world aerospace industry for a decision yesterday to cut 250 jobs from its workforce.

Shorts was acquired by Bombardier, the Canadian transportation group, when it was privatised two years ago. It is Ulster's biggest private employer with a workforce of almost 9,000.

A spokesman said the job losses had to be viewed in the context of growing staff levels adding: "We are not immune from the recession in the industry around the world."

Under Bombardier's ownership employment has risen from 7,500 to its present level but the recession in the aerospace industry, coupled with cut-backs in customer programmes, has forced the company to trim the workforce.

Fire sets back opening of the London Underwriting Centre

By Richard Lapper

A SERIOUS FIRE has set back the opening of a new London insurance centre, pictured above, by at least six months.

The prospective offices of the London Underwriting Centre at No 3 Minster Court, near the Tower of London, were badly damaged by the fire which began early yesterday morning and lasted for approximately four hours.

The building is part of the Prudential's Minster Court development – the largest currently underway in the City of London.

The LUC is serviced by a management company formed by two dozen insurance companies, which has spent over £45m in fitting out the building and has sub-let space in it to over 60 others.

It was intended to open the centre for business in March next year.

Yesterday's fire, which spread quickly through the building's atrium, caused extensive damage to the the interior and equipment, including a massive free standing block of escalators.

Damage is likely to exceed £10m although this amount could be much greater if the building's exterior is found to have been damaged.

According to Mr Victor Blake, the chairman of the LUC, the building was insured with a policy placed by brokers CT Bowring and underwritten by a group of companies led by Royal Insurance.

The concept behind the project is to allow brokers to visit a number of underwriters in only one building, rather than a number of disparate offices, improving levels of efficiency and helping London companies compete more effectively with the established Lloyd's insurance market.

Mr Blake said he believed the project would help London sustain its position at the centre of the international insurance industry.

He added that the fire would "undoubtedly" delay the centre's opening, possibly by more than a year, but insisted that the project would go ahead.

Courage to cut 1,400 jobs in brewing

By Philip Rawstorne

COURAGE, the UK's second-largest brewer, is to cut 1,400 jobs over the next 12 months as it integrates the brewing operations acquired from Grand Metropolitan in the £2.36bn pubs-for-breweries deal earlier this year.

Most of the job losses – representing about a fifth of the workforce and foreshadowed in the group's submission to the Monopolies and Mergers Commission last year – will come from rationalising distribution, packaging, sales and administration.

The company will maintain production at all its breweries and will continue to produce the full range of beer brands formerly brewed by GrandMet.

Some 400 jobs will go with the closure of the former GrandMet packaging plant in west London, in June next year. At the same time, up to 150 jobs will be created in the expansion of canning and bottling facilities at the brewery in Reading, west of London.

Courage will reduce its distribution depots from 47 to 29 by mid 1992 with the loss of a further 365 jobs. The sales force will be cut by around 130; central and regional administrative staff will be reduced by 330, and technical services by 104. The bottling line at the brewery in Halifax, West Yorkshire, will also be closed, with the loss of 54 jobs.

Regional operating teams – which will comprise sales, distribution and technical services – centred on Bristol; Mortlake, south London; and Tadcaster, North Yorkshire, will service all Courage's pub customers.

Mr Michael Foster, Courage's managing director, said that the moves followed a thorough review of the needs of the new operation in an increasingly competitive market.

The company would try to avoid compulsory redundancies through voluntary programmes, early retirements, and redeployment.

● The redundancy rate in the service sector increased by 40 per cent last year, according to the latest analysis of Department of Employment figures, writes Diane Summers. The increase compared with a 22 per cent increase in the redundancy rate for manufacturing and an 11 per cent increase in other industries.

Employees in manufacturing and other industries were, however, still twice as likely to lose their jobs as workers in the service sector. Comparative rates were: 5.6 per 1,000 employees in the service sector; 12.8 in manufacturing; and 14 per 1,000 in other industries.

ENERGY

Blasts rock North Sea oil platform

By Deborah Hargreaves

THE Fulmar Alpha North Sea oil platform was rocked by a series of explosions yesterday morning which left two men and a woman injured and caused the evacuation of 40 workers from the rig.

The blasts came eight minutes after the crew of the rig were stood down from an earlier alert caused by a gas leak.

Mr Brian Ward, production director of Shell which operates the platform, said yesterday: "There is no established connection between the gas alert and what happened subsequently".

Teams of inspectors from the company and the Health and Safety Executive arrived at the rig late yesterday to try and determine the cause of the explosions.

The accommodation module took most of the impact of the blast and damage was concentrated on a floor of bedrooms.

The three people taken to hospital were suffering from second degree burns and shock. Shell said that around 60 core workers had remained on the platform.

Some controversy surrounds the site of the blast since accommodation modules are supposed to be the safest part of North Sea platforms. Mr Ronnie Macdonald, head of the Offshore Industry Liaison Committee called for an investigation into a possible design flaw in the rig.

Shell immediately closed oil production at the platform which was running at 130,000 barrels of oil a day (b/d) although it later said that production facilities had not been damaged.

The company also closed output at the smaller Auk rig which is linked by pipeline with Fulmar and which produces 5,000 b/d.

At the same time, British Petroleum shut off production of 38,000 b/d from the Clyde field which is linked to Fulmar.

The explosion occurred just hours before the release of a House of Commons select committee report which criticised the government's registration of offshore incidents as inadequate.

The report said that, in a bid to reduce the number of accidents reported in the North Sea, many occurrences went unreported.

Mr Frank Dobson, labour energy spokesman said: "The government is remiss to the point of negligence on its review of North Sea safety".

The oil industry is estimated to have spent £850m on safety work since a disaster in 1988 when the Piper Alpha oil platform exploded killing 167 people. Future expenditure is estimated at between £1.7bn and £5bn over the next 5 years.

MPs back trade unions on offshore safety

By Deborah Hargreaves

OFFHORE safety training for rig workers should be mandatory and paid for by oil industry employers, a cross-party group of MPs urged yesterday.

But the responsibility for safety and survival training should be transferred to an independent body, the House of Commons energy select committee recommended in its report.

The report came down broadly in favour of many points raised by oil industry trade unions, including the need to look into secret ballots for union representation offshore. Few oil companies recognise trade union membership for contract workers on offshore rigs and this has previously led to widespread industrial unrest in the North Sea.

Unofficial industrial action in the North Sea last year over union representation and safety issues led to several wildcat strikes and systematic disruption. Although there has been no industrial action this year, unions and management still have a long way to go before reaching any agreement on recognition.

The report also called on the Department of Employment to look into the differences in the rights of offshore workers compared with those onshore.

In addition, unions have frequently complained that workers nominated as safety representatives offshore have been subject to discrimination, even that a blacklist of these nominees has been compiled in order to stop them seeking employment elsewhere in the North Sea.

The MPs recommend that regulations relating to safety representatives should be reviewed and that the Health and Safety Executive should investigate claims that oil industry managers put pressure on candidates not to stand for nomination as a safety representative.

The report also calls on the HSE to investigate claims of discrimination against safety representatives and demands they should be allowed to inspect any information held on them by oil companies.

"We believe safety representatives are subject to intimidation," said Mr Fred Hicks, national secretary for the oil industry at the Amalgamated Engineering Union, "and we've brought this up before John Wakeham (secretary of state for energy), but things will not improve until we have trade union members in those positions."

Responsibility for offshore safety was transferred to the HSE in April from the Department of Energy following a recommendation in a report by Lord Cullen into the Piper Alpha disaster three years ago in which 167 men were killed. But the House of Commons report cites concern over the low numbers of inspectors at the HSE to look at safety work on rigs.

Oil companies giving evidence to the committee said that 50 full inspectors were needed to visit every oil installation yearly, compared with current staffing levels of between 5 or 9 inspectors.

The MPs recommend more intensive training for safety work at the HSE as well as funds to recruit a sufficient number of inspectors.

In addition, the MPs said they were unconvinced of the expense involved in a relocation of the Department of Energy's Exploration Appraisal and Development unit from London to Aberdeen. It called for a review of the move by the Treasury.

Government spends 'too much' on N-power

The government plans to spend too much on nuclear power and too little on alternative sources of energy, a report by the Commons Energy Committee concludes writes Juliet Sychrava. Yesterday's report into the Department of Energy's spending plans, compared the government's £60m budget for research into a nuclear fast reactor in Scotland with its £4.2m proposed expenditure on research into tidal power. Research suggested that wave power could cost as little as 5.5 pence per kilowatt hour: compared with the committee's estimate of 6.0p per kilowatt hour for nuclear power.

BRITAIN IN BRIEF

Mortgage demand still in doldrums

Repeated cuts in UK base rates have had little effect on mortgage demand, according to the latest data from the Council of Mortgage Lenders. The data show that net mortgage lending in the second quarter of 1991 rose slightly from that of the first quarter, but still remains well below the level of activity seen in the fourth quarter of 1990. Net advances in the second quarter totalled £7.15bn, up from £6.29bn in the first quarter, but down from the £7.62bn at the end of last year. Between the first and second quarters, mortgage balances grew by 2.4 percent, against 3.3 percent in the same period last year.

Hurd to give inquiry evidence

Mr Douglas Hurd, foreign secretary, will give evidence to a judicial inquiry on his role in referring the Maguire Seven and Guildford Four terrorist bombing cases to the Court of Appeal while he was home secretary. He has agreed to attend the May Inquiry, set up following the quashing of the Guildford Four convictions in October 1989, which is holding a series of public sessions next month.

Schools receive larger budget

Schools in England and Wales are receiving a greater proportion of the schools budget from local education authorities than ever before, Michael Fallon, the schools minister, has claimed. Out of a total schools budget of £11.3bn, £9.9bn was managed by schools rather than local authorities in the year to March 31 - an increase of £125m over the previous year.

Property sector still depressed

The property industry should brace itself for a spate of receiverships even though market conditions have stopped deteriorating, according to a survey of property lenders. The rate of property receiverships is expected to increase over the next six months by 74 per cent of the 57 banks polled by Chesterton Financial, property consultants and Chartered Surveyor Weekly, a magazine. However, 79 per cent believed that the property market would be unchanged over the next six months and 70 per cent said it would improve over the next year.

Warning to civil servants

Government employee unions have launched a campaign advising civil servants on secondment to Training and Enterprise Councils (Tecs) to be wary of accepting offers to become Tec employees. Leaflets entitled "Your Future Under Threat" have been distributed by the CPSA, NUCPS and IPMS civil service unions to the 6,000 civil servants who are working in Tecs on three-year secondment from the Department of Employment. Tecs described the leaflets as "scaremongering" and likely to worsen a situation where it was feared up to 50 per cent of seconded staff might opt to return to the department.

Directors want plans shelved

The Institute of Directors has called on the European Commission to shelve its proposals for legislation on takeover bids. The institute said it agreed with the Commission's objective of creating a "level playing field" for cross-border mergers, but said this could be achieved more quickly if each member state set up a supervisory authority governed by a "clear set of rules" which must be lodged with the EC and comply with those outlined in the EC draft proposals on legislation. The institute said the procedure and should be reviewed every five years until a permanent solution was agreed.

US visitors to UK falls 30%

The number of visitors from North America to the UK in May fell by 30 per cent in comparison with the same month last year, according to government figures. The decline in May brings the cumulative fall in numbers of North American visitors for the first five months of the year to 29 per cent. The figures, from the Central Statistical Office, show that total number of visitors to the UK in May was some 4 per cent below the total reached in May last year. The total for the first five months of the year was 12 per cent down.

Industry should 'invest now'

British industry has been challenged to invest in the recession rather than wait until a consumer boom is underway. The Trades Union Congress accused industry of having a backward-looking approach to investment, which had contributed to the long-term decline in manufacturing. As Britain's main competitors invested in anticipation of demand, rather than in response to past trends, this put British industry at a "considerable disadvantage" in international trade.

Patten wants 1992 election

Mr Chris Patten, chairman of the Conservative party, pictured below, has stated publicly that he wants the general election to be held next year. A contest should be delayed until after the European Community summit at Maastricht on economic, monetary and political union in December, Mr Patten says in a magazine interview published tomorrow.

NHS pay to climb by 9%

Pay in the National Health Service, Britain's largest employer, will increase by an average of 9.25 per cent in the financial year 1991-92, well ahead of inflation for the period, according to the Public Finance Foundation.

Insurance rates to be raised

Royal Insurance is to increase insurance rates by up to 80 per cent for householders living in parts of the south-east and other areas prone to subsidence. This comes after last month's announcement by Sun Alliance that it was also imposing sharp rises.

EC agrees to stretch a point

The EC has agreed to take action to curb the influx of Chinese knickers coming into the UK from other European countries. The decision follows a lobby from the Knitting Industries Federation, which was concerned about the damage caused by high imports of Chinese knickers to UK underwear manufacturers.

Home-grown produce on the multinationals' shopping list

Guy de Jonquières reports on the fast changing food-processing sector in eastern Europe

The way things were: a Budapest coffee shop

As the countries of central and eastern Europe struggle to modernise their economies, some of the leading names in the international food and drinks industry have started to move in, set out their stalls and see what consumers will buy.

Attention focused initially on eastern Germany, where about two dozen international acquisitions and joint ventures have been completed in the past year. But as more companies have sought a presence in the region, interest has more recently spread to Hungary, Poland and Czechoslovakia.

Industry heavyweights which have invested in these countries include BSN, Coca-Cola, Nestlé, PepsiCo, Sara Lee, Tate and Lyle and United Biscuits. In addition, Unilever and Procter & Gamble have bought into detergents makers in Poland and Czechoslovakia, respectively.

After years of living with restricted choice, shortages and shoddy quality, many east European shoppers are eager for the variety and novelty of western goods. "In Poland, they're standing at the frontiers asking for our products. You can see business on every street corner," says Harm Tunteler, an executive at Sara Lee's European headquarters.

Many consumers appear today to make such purchases as much to celebrate their new-found freedom as to fulfil a real need. But most western companies expect the main pay-off to come over the longer term, when they hope steadily improving standards of living will create sustained increases in demand.

There certainly seems plenty of potential for growth. Polish consumers, for instance, are estimated to eat only one eighth as many chocolates on average as west Germans, while soft drink consumption in eastern Europe is one sixth of US levels. Many more sophisticated products, such as chilled prepared meals, are virtually unknown.

However, most western companies are being careful not to plunge in too deeply until they are clearer about local tastes, business practices, legal systems and prospects for economic reform. Such wariness has kept the size of many investments small.

Georges Lecallier, vice-chairman of BSN, believes it is too early even to guess how markets will develop. "There will be periods of stop and periods of go. We can only hope the gaps between them are not too long."

Still, interest has been keen enough to produce some lively competition for acquisitions. Last month PepsiCo snatched 40 per cent of Wedel, a Polish chocolate producer, from under the noses of BSN and Nestlé. These two have now teamed up to bid for a joint stake in Cokoladovny, a Czech biscuit and confectionery maker.

Activity has quickened for two main reasons. One is that opportunities to acquire market share by buying an existing supplier are limited. Production in most countries is highly concentrated, with just one local company dominating two thirds or more of sales of products such as confectionery and beverages. The second reason is to gain a headstart in building brand loyalty among consumers largely untouched by western mass-marketing. "It is an advertising executive's dream – people actually remember advertisements," says John Lindquist of the Boston Consulting Group (BCG).

"Branding is very poorly developed," says Richard Norton, head of PepsiCo's soft drinks operations in eastern Europe. "Until a year ago, people believed that you only advertised if you were desperate, because anything that was worth selling sold anyway. But that will change very rapidly."

Television viewers able to receive western broadcasts are already familiar with leading international brand names. But they have been able to buy few of the products advertised. Pepsi-Cola is a rare exception; first sold in eastern Europe two decades ago, it is now bottled at 37 plants in the region, as well as at 35 in the Soviet Union. Nestlé is known in Hungary, where it licensed Intescsokolade to make its chocolates before acquiring the company in April.

Other western producers are grafting their brands onto the product lines of local companies they have acquired. Sara Lee, for instance, has added its Douwe Egberts brand name to packets of Omnia coffee produced by Compack, a Hungarian trading group in which it acquired a stake last year. Compack will also sell Sara Lee's Pickwick tea and Kiwi shoe polish.

BSN aims to add its Lu and Jacobs biscuit lines to Cokoladovny's range. But in yogurt, it is seeking to establish its Danone brand from scratch through joint production deals with dairies in eastern Germany, Czechoslovakia and Poland. Nestlé also says it may set up greenfield operations.

Both routes entail risks. Though acquisitions can provide a going business and a short cut to the local market, they almost invariably involve taking over inefficient production systems and highly bureaucratic organisations.

Robert Clarke, chairman of United Biscuits, which recently acquired control of Hungarian biscuit maker Gyori Keksz, says the problem is less the manufacturing equipment – much of it German-made and fairly modern – than overstaffing and obsolete working practices. By some estimates, east European food-processing plants employ three times more workers than needed.

Some international acquirers have committed themselves to maintaining employment. PepsiCo, for instance, has told the Polish government it will guarantee all existing jobs at Wedel for a year and hopes to create 500-600 new ones by adding production of salty snacks. Others, such as Nestlé, bridle at such undertakings. "We refuse to make any acquisitions if we are not free afterwards to manage in a way which is primarily determined by economic considerations," says Reto Domeniconi, the company's finance director.

But these are only the first of the challenges western companies face. Sara Lee says that when it bought into Compack, "the sales force consisted of a few guys sitting at telephones waiting for orders to come in". The company has begun training sales staff, given them cars and sent them out on the road.

Packaging is another area of difficulty. "You can't assume that if you order cans and bottles they will just appear when you need them," says PepsiCo's Norton. "You may need to invest in your suppliers to be sure of getting what you want."

The biggest headache of all is distribution. Not only are traditional channels in most east European countries unreliable and poorly developed, but they are liable to sudden upheavals as economic restructuring proceeds.

In Poland, the growth of small privately owned shops, which now account for an estimated 70 per cent of total retail trade, delivered the death blow to the old state-owned wholesale networks. For PepsiCo, the results have been dramatic. "Our entire distribution system collapsed overnight," says Norton. "We had to scurry around with our bottlers to find people to do the job."

For some goods, no suitable distribution systems exist at all. To deliver its yogurt in fresh condition, BSN is planning its own fleet of refrigerated lorries and network of coldstores.

Lindquist of BCG says many companies expanding into eastern Europe underestimate the problems of getting their goods to the market – and may have to revise their initial plans. He says those which set out just to sell small quantities of luxury items in eastern Europe may soon find they need to invest in their own distribution networks, which can only be justified economically if they are also used to handle large volumes of more basic products.

Sara Lee hopes western retailers will help to fill the gap by expanding into eastern Europe. United Biscuits, on the other hand, is seeking to interest other international food processors with east European operations in setting up joint distribution networks.

PepsiCo, meanwhile, is both investing in its own systems and working closely with entrepreneurial wholesaling businesses which have begun to spring up in Hungary and Poland. "The most important qualities are patience and persistence," says Norton. "We believe it's important to have local partners who understand the market, because every country is different."

Recent food and drink industry deals in Eastern Europe

Western company	East European company Company	Sector	Purpose of deal	Value of deal
BSN (France)	Benesov Dairy (Czech)	Dairy	Joint venture to produce Danone yogurt	N.A.
BSN/Nestle (Switz)	Cokoladovny (Czech)	Chocolates biscuits	Planned acquisition of joint stake	N.A.
Jacobs Suchard (US/Switz)	Budapest Edesipari Vallalat (Hungary)	Coffee, confectionery	Joint venture	N.A.
Nestle	Intescsokolade (Hungary)	Chocolates	Acquisition of 97%	N.A.
PepsiCo (US)	Wedel (Poland)	Chocolates	Acquisition of 40%	$25m
Sara Lee (US)	Compack Trading & Packing (Hungary)	Beverages, household products	Acquisition of 40%	$60m
Tate & Lyle (UK)	Hajdusagi Cukorgyar (Hungary)	Sugar, foods	Acquisition of 34.4%	£10m
United Biscuits (UK)	Gyori Keksz	Biscuits	Acquisition of 84%	N.A.

Saucy way to sell a knickerbocker glory

Alice Rawsthorn *on a sensuous campaign for Häagen-Dazs ice-cream*

Orgasm is not the first word that springs to mind in the context of the antiseptic ambience of an advertising agency's consumer research session.

But the O-word came up again and again in the course of Bartle Bogle Hegarty's research into consumers' attitudes to Häagen-Dazs, the very expensive ice-cream owned by Grand Metropolitan, the UK food and drinks group.

"Our research showed that people saw Häagen-Dazs as an intensely personal pleasure and such an intense experience does tend to shade into sex," says Tim Lindsay, joint managing director of BBH. "The language they used was very explicit. They described eating it as an orgasmic experience."

BBH's advertisments for Häagen-Dazs are equally explicit. One ad shows a woman spooning ice-cream into a man's mouth while he fondles her knee. Another features a naked woman cradling a tub of Häagen-Dazs against her neck.

The erogenous properties of ice-cream seem far removed from the cut and thrust of the corporate manoeuvres that brought Häagen-Dazs to the UK.

Häagen-Dazs traces its roots to the US of the 1950s. It languished there with only a cult following until three years ago when Pillsbury, its parent company, was taken over by Grand Met in a $5.75bn bid.

Grand Met pounced on Pillsbury because of its high profile interests such as the Burger King fast food chain.

But when its corporate strategists sifted through the smaller subsidiaries to work out which to keep and which to sell, they spotted Häagen-Dazs.

Grand Met has since embarked on an ambitious expansion programme for Häagen-Dazs, both in the US and other countries. It has opened Häagen-Dazs ice-cream parlours across Europe and Asia and sells the brand wholesale to the retail sector. There are now more than 350 Häagen-Dazs parlours in seven countries.

When Häagen-Dazs arrived in the UK it was virtually unknown and relied on recommendation by word of mouth from people who had tried – and liked – it in the US. Eighteen months ago Grand Met decided to give the brand a higher profile and appointed Bartle Bogle Hegarty to create an advertising campaign.

Tim Lindsay says the agency's main aims were to raise awareness and to persuade people that it was worth spending "anything from four to six times more than they'd pay for ordinary ice-cream" on Häagen-Dazs.

The agency's solution was to juxtapose the explicitly sexual imagery of its ads – which will run for three months in newspapers and magazines – with self-consciously serious text describing the product.

"The words are deliberately pompous," says Lindsay. "We wanted to contrast the indulgent images of ice-cream by talking about the product in a straitlaced way. After all, we didn't want to step over the line into smuttiness."

CINEMA

Enough to make a critic turn turtle

Nigel Andrews is unimpressed by a sudden burst of sequel-mania

TEENAGE MUTANT NINJA TURTLES 2 (PG) Michael Pressman
RETURN TO THE BLUE LAGOON (12) William Graham
PRAYER OF THE ROLLERBOYS (15) RICK KING
STRIP JACK NAKED Ron Peck
RECOLLECTIONS OF THE YELLOW HOUSE (18) Joao Cesar Monteiro

I woke up with a shock recently, realising I had been writing for this newspaper for almost 20 years. During that time the art of film criticism has advanced by a few miles, my and my colleagues' understanding of why we do it by barely a few inches. Reviewing movies is still a beautiful mystery indulged in by an obscurely motivated fraternity.

There are weeks of radiant, stained-glass beauty when we critics see through hallowed hues to eternity. Who can forget their first viewing of *ET*, their first or umpteenth viewing of *The Godfather*, or that miracle week when *Distant Voices Still Lives* and *A Fish Called Wanda*, two British masterpieces, opened simultaneously?

Yet if critics are a mystical brotherhood, there are also weeks when we have to scrub the monastery floor or beat our backs with birch sticks. Take the new releases: *Teenage Mutant Ninja Turtles 2*, *The Return To The Blue Lagoon*, *Prayer Of The Rollerboys* and other movies to test the pain barrier.

Turtles 2 is subtitled "The Secret of the Ooze". Professor David Warner, mildly deranged in lank hair and lab coat, collects in canisters this mutation-generating liquid. Everybody fights over it like shoppers at a Selfridges sale; and some turn into slavering monsters, again like shoppers at a Selfridges sale. Happily the Turtles are around to see justice done and villains vanquished.

I enjoyed *Turtles 1* for the unique mutative process whereby a parodic comic-strip idea became a mainstream hit. (Had it ever happened before?) It suggested sophistication was running rampant over the world's youth. *Turtles 2* suggests that the next step after sophistication is senility. Writer Todd Langen and director Michael Pressman round up the usual style-tropes, flog them to death and then pour music over them. Even with the endorsement of the Pizza Marketing Board how many more sequels for singing, dancing amphibians can the world take?

If a turtle spin-off was predictable, few could have foreseen the impertinence of a film called *Return To The Blue Lagoon*. Writer Leslie Steven and director William Graham, abetted by executive producer Randal Kleiser, who directed the 10-year-old *Lagoon 1*, once more turn American puberty loose on the South Seas. Brian Krause and Milla Jovovich are the youngsters hurled from ship to shore and thence into Nature's crash course in sexual awakening. No doubt the movie will be as lucrative as its forebear, offering the same mixture of Edenic travelogue and naturist prurience.

Turtles 2: how many more dancing amphibians can the world take?

"Nothing's the same around here!" cries young Krause one morning on waking up to find part of himself harder and larger than when he went to sleep. And Miss Jovovich, her shampoo-advertisement name matched by her acting style, shakes her silken locks with interchangeable pensive insouciance at every menace from sharks to menstruation.

When the world finally gatecrashes their paradise in the form of a shipload of leering sailors and rent-a-sideburn missionaries, you think it is all over with the idyll. But you reckon without the imperatives of sequel-mania. Brian and Milla have a baby and its blue eyes are made for another cast-away outing. The word "return" is already obsolete: it is probably time for a season ticket to the blue lagoon.

This was supposed to be the summer when few if any sequels were opening. What a hope. Even non-spinoffs like *Prayer Of The Rollerboys* plant the seed of continuity. This sci-fi adventure, made on a Skid Row budget, posits a futureworld of neo-fascist skaters and young hero-informants. It is summarisable as *Rollerball* meets *Mad Max*, except that the former's popularity and the latter's sequel mileage leave this clone stranded at the starting-block. Unabashed, writer Peter Iliff and director Rick King herd their hero (Corey Haim) and heroine (Patricia Arquette) up to Oregon to incubate a sequel.

End of theme for the week? No. Ron Peck's *Strip Jack Naked*, is also a sequel, subtitled *Nighthawks 2*. Raiding footage shot for *Nighthawks 1*, his tale of a gay schoolteacher's coming out, Peck revisits the project like a painter trying to recapture earlier raptures. A long sequence of a gay encounter cut from the earlier film is shown here: partly (good reason) as an artist's exploratory second thought, partly (bad reason) in deference to the actor in it who has since died of Aids.

Nighthawks was so plain a movie that it glowed with honesty even while it clattered with banalities of plot and dialogue. Strip Jack Naked starts well – the early footage pixillated by slow motion as if by the memory's hazy remote-control – but then turns into over-earnest agitprop. As Peck's voice-over relates his own gay life story, we stagger through the punitive visuals: old school photos, old home movies, sub-Jarmanesque shots of nude male torsoes turning like living pottery in shadowed rooms. Finally we "come out" with Peck to the usual bombardment of gay rallies and messages of hope.

Two years ago Peck made the marvellous short film *What Can I Do With A Male Nude?*. There candour and repression chased each other around a room under the wittily impassive gaze of an Adonis model. Thoughts on moral tyranny and sexual stereotyping were alchemised into a gilded, funny revue-sketch. In *Strip Jack Naked* the tone is un-transmuted self-pity shading into unalloyed self-importance.

★

The Portuguese film *Recollections Of The Yellow House* proves the treat of the week. It is not, miraculously, a sequel. But it is about life as a cycle of repetition and it unfolds like a Samuel Beckett play re-written by an Iberian Beachcomber.

In a bug-infested Lisbon boarding-house a thin, bird-like man of advanced years, played by the film's writer-director Joao Cesar Monteiro, nurtures his gloomy sensuality. Despite his resemblance to a vulture on hunger strike, he courts the landlady's police-cadet daughter and worshipfully drinks her bathwater. Please blindfold Aunt Edna during the incident of the single, savoured pubic hair.

Hours pass. Days. Weeks? Our hero is wandering the streets in a Stroheim-style officer's uniform and being signed up for a mental asylum. Will he survive? Will he fulfil his Casanova dreams? Will he gain access to anything that could justifiably be described as a plot?

Like Beckett, the film raises inconsequentiality to high art. It is so slow and meandering at one point that I briefly fell asleep. When I woke up, nothing had changed. The same pained characters exchanged the same pained syllables against the same yellowing painted walls. Meanwhile the English subtitles, catching the air of stricken surrealism, gave us lines like "That hermaphrodite, he's knackered my Julieta!" and "What was in your mind when you introduced yourself subrepticiously into the barracks?"

Frankly, I do not remember the film winning the Silver Lion at Venice two years ago, as the poster proclaims. But perhaps it did. Certainly in a thin week, it tries the daring strategy of being even thinner than its competition: stretching its story into a filigree of anorexic nuance. It is frequently marvellous, except for Monteiro himself, who is ceaselessly marvellous.

★

Finally, two for the curio drawer. Marco Ferreri's *The Last Woman* (18, Barbican) is a satyriastic 15-year-old Italian film that bangs on about Gerard Depardieu banging on. It ends in self-castration, which is perhaps the only appropriate conclusion. Happily, it is only one of a season of mostly better Depardieu movies.

Don Bluth's *Rock-a-Doodle* (U, Odeon Mezzanine) is an animated feature from the maker of *An American Tail* and *The Land Before Time*. An Elvis Presley rooster; a Charles Laughton evil owl; and many other barnyard wonders lost in a plot so ill-shaped and overcrowded that you almost forget to crow at the visuals. But they, colourful and kinetic, are worth the odd throaty fanfare.

When She Danced

GLOBE THEATRE

Vanessa Redgrave is having another go at playing the most important dancer of the twentieth century, Isadora Duncan, some 20 years after she played Isadora in the film. You can see why people link the two. It is part of Vanessa's legend, like Isadora's, that she can be incandescent and that her left wing politics make her a controversial figure.

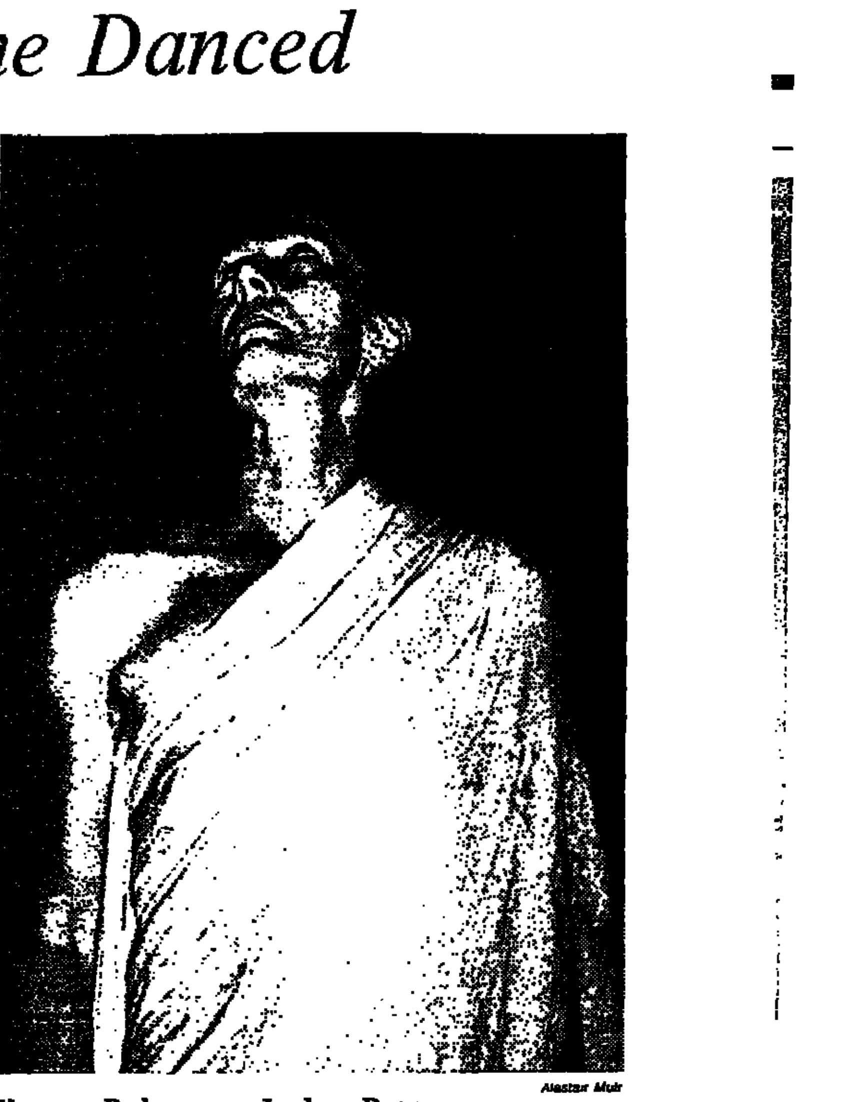
But, though she doesn't have to dance this time, she is still all wrong. Isadora, who was famous for proclaiming that her body's dance core was the solar plexus, used to stand still and let music irradiate her from that centre of levity outwards. When Vanessa stands and listens to music, she is slimmer and sharper than Isadora was in the year of this play – 1923 – but she has no motion in stillness. She merely Thinks Great Thoughts from the collarbone upwards until her eyes brim with tears. A key scene in the play. Vanessa cannot bring it off.

In most other respects she gives the performance that this beastly tacky play asks for. This Isadora is a befuddled, sozzled, helpless, half-glamorous bore, a thoroughly camp fag-hag icon on the skids, but with a sense of humour. The fact she doesn't dance is the play's point. Younger characters long to see her dance just once, older characters remember how her dancing once changed their lives, but Isadora is dried-up, if not dried-out. When she isn't being gauche, louche, muddled or jokey, she snivels and whines in self-pity.

When She Danced is a farce, with bits of sadness and dance-history tacked on. Isadora, who *here speaks no Russian, is married to Sergei Essenin, who* speaks nothing else. They sell the furniture to pay for the champagne, and they are surrounded by cartoon-like hangers-on.

Sherman makes occasional points about the irony that Isadora has outlived her art *ars brevis, vita longa* but he handles her decline with such ghoulish relish that you know where his heart lies. His Isadora and Sergei aren't real, they are artfully crazy theatrical types. They torment each other, they get wildly drunk, they smash crockery, they make love, they behave like kids and are cleaned up after by a humourless French maid.

Sherman does not want to portray Isadora's intelligence or adult seriousness. *Impossible to believe from this play, or* from Vanessa's performance, that Isadora was steeped in Whitman, Nietzsche and Wagner, that she denounced jazz and the foxtrot, that she was a feminist, that she had intense discussions with Stanislavsky. *Or that her Moscow school of* dance survived till after the Second World War. Or that there is enough documentation on her work to show how way ahead her dances were of other barefoot dancers of her day.



Alastair Muir

Vanessa Redgrave as Isadora Duncan

Robert Allan Ackerman, who also directed the 1985 premiere, handles the action for as many laughs as possible. The ludicrous dinnerparty in Act Two, with six (later seven) different languages going on, climaxes in – can you believe it? – a custard-pie joke. Graham Lustig has choreographed a dance for an Isadorable which is clever as a deliberate parody of Isadora but ludicrous as the sincere imitation it is supposed to be. Most of the performances are on the cheap level of the play. Michael Sheen plays the gay Greek teenage pianist Eliopolos *as half Rik Mayall (The Young Ones)*, half Manuel *(Fawlty Towers)*. Alison Fiske plays Isadora's best friend Mary Desti as a parody of an American gorgon, and Sheila Keith is the French maid. Each is a national caricature, more or less atrocious.

As Sergei, the Soviet actor Oleg Menshikov has real drive, humour and freshness. His role is another stereotype – the uncouth, huggable, cute wild-boy – but he plays it beautifully. The way he kisses Isadora in waltz-time is the evening's only stroke of theatrical magic. And Frances de la Tour, speaking excellent Russian, is first-rate in the play's one interesting role, the unknown Hannah Beltzer, who translates Essenin's most explicit statements into English but who never gets to tell Isadora how her dancing once illumined her whole existence. She has an inner life, like a character from Balzac or Maupassant. And as with no one else on stage, you want to know more about her.

Alastair Macaulay

Cosi fan tutte

QUEEN ELIZABETH HALL

This is David Freeman's exuberant Opera Factory production, back on the South Bank again and very welcome. As rude modernisations of Mozart go, it offers outstanding rewards. Even opera-lovers who reject the very idea must recognise the provocative insights; Mozarteans owe it to themselves not to miss it.

Most of the original *Cosi* takes place in the two enamoured sisters' villa on the Bay of Naples. Freeman retains the Mediterranean beach, but in package-holiday terms; for the engaged couples this is clearly a relaxed, irresponsible vacation-break. Wisely, Freeman does nothing whatever to resolve literal-minded questions: how, in these modern circumstances, could the male partners believably be summoned to instant military *duty*? What kind of "servant" is Despina now, bewailing her downtrodden status in scene 8 after the sisters have cuddled her like an intimate equal in scene 2?

Freeman concentrates instead upon the disparity between his modern pairs and their 18th-century counterparts. As defined by Mozart's librettist da Ponte, those earlier couples were under the uncertain sway of a literary ideal of fidelity ("If you say you love me, you have to mean it *forever*!"), and the girls were further constrained by what period-decency prescribed for respectable maidens. In beach-holiday terms, none of that applies: all the lovers are erotically volatile, and the only risks they run are of personal embarrassment – along with possible damage to their self-images.

There are other period-pieces by Rossini and Cimarosa, and by Mozart himself, which modern productions regularly fail to draw tight because they don't do justice to the force of period-social constraints. (Don Bartolo and Don Magnifico are authority-figures of unquestioned clout, however comic, and Count Almaviva *must* command deference even in farcical straits: to diminish them is always to reduce the dramatic voltage.) In *Cosi*, however, *Mozart composed his* characters according to their immediate feelings – heartfelt even when groundless, as in the "farewell" quintet and trio (beautifully sung here), nicely exaggerated in the girls' initial protestations, painfully candid in everybody's later discoveries.

There is easily enough musical detail to sustain an erotic tale in a floating, amoral context (more precisely a stage-wide sandpit, Freeman's favourite setting), and the principals make their individual most of it. Four of them have been here before: Marie Angel's rapt, exacerbated Fiordiligi, the double-act of Nigel Robson and Geoffrey Dolton as the male-bonded swains, Tom McDonnell's darkly cynical philosopher (now almost pitchless in recitative). The new Dorabella is Marilyn Bennett, a *clever comedienne who uses* her big, gleaming mezzo to sure musical purpose – I predict an enviable career for her; Susannah Waters' Despina, knowingly languid, needs just an extra touch of disillusioned pragmatism.

The new conductor is Mark Wigglesworth, full of bright ideas that await fitting into a longer view. He took the Overture at unbridled speed (testing the breath control of his first-desk winds severely), with hairpin string-whirls like Zagrosek's at Glyndebourne. Neither of the great act-finales was realised, I thought, in full depth and urgency – but probably for different reasons.

For the Act I close the tortuous physical business Freeman has devised raises so many laughs, as before, that the music (despite bravura singing, sometimes upside-down) is continually drowned out. The net result is unsatisfying; so too the Act II finale, where the happy, all-is-forgiven surge of the music founders amid the visible fear-and-loathing of the still unreconciled couples. Valid as lit-crit, no doubt – but *Cosi* makes a long evening, one that cries out for a decisive rounding-off.

David Murray

Inscape

COVENT GARDEN

Graham Lustig's newest piece for Birmingham Royal Ballet has, alas, mistaken introspection for inspiration. Its title, *Inscape*, is owed to Gerard Manley Hopkins; its theme, we are told, is an exploration of psychic states associated with the words *declaration, motivation, delineation* (which the Opera House programme can't spell), *hesitation*, and *acceleration*. It is, as you may judge, one of those ballets that drag a good deal of intellectual baggage on to the stage. That the *baggage is unnecessary for the* movement journey we are about to undertake is one of life's little tragedies.

Mr Lustig has collaborated with the composer Peter McGowan, whose piano-quintet score, like the dances, seems under-powered. What might have worked under the intimate conditions of a studio theatre performance – proximity allowing any supposed "meaning" to reach a public – appears inert, self-obsessed in the Opera House. Against a clever gauzy set (Henk Schut) whose single curve makes it look as if the moon had suddenly come close, five couples are permutated in dances that have a singular lack of motor force. At moments the choreography is so concerned with its own *inscape*, so fixated upon its navel, that the dance is in danger of stopping in its tracks to consider where it has been and whither it is going. The answer to this query is, sadly, nowhere. The young cast are not enhanced by their assignment.

The two other works in this current triple bill are blessedly frank in demanding to be danced full-out. The Grand Pas from *Paquita* really needs Leningrad authority of style from everyone on stage to do it full justice, but Susan Lucas and Karen Donovan show off their allegro solos with a very pretty turn of speed, bubbling through difficulties which would trip less sure and light-footed dancers. Ashton's *Jazz Calendar* now looks very much of its late '60s period in Derek Jarman's Op-Art designs. It looks back ever further than that, though, in its dances, for its seven numbers are reminders of the revue work through which Ashton polished his craft in the 1930s, working for such figures as C B Cochran. It is a flimsy ballet, and doesn't bear much exposure, but it has surest craft in construction, and enough clever tricks of step and production to keep the eye beguiled. It needs, however, more polished and wittier performance – Saturday's men look an notably uneven bunch – if its jokes are not to seem laboured.

Clement Crisp

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Marc Albrecht conducts the Gustav Mahler Youth Orchestra in Stravinsky's Petrushka and Chopin's First Piano Concerto, with Tzimon Barto. Sat: Czech Chamber Orchestra and World Youth Choir in a programme of music by Mozart, Ligeti and Petr Eben (6718 345)

BRUGES

Stadsschouwburg 20.30 Arleen Auger, accompanied by Melvyn Tan, gives a recital of songs by Mozart, Haydn and Schubert. Tomorrow in Sint-Annakerk: The *King's Consort in a programme* of Purcell and Blow. Sat in Sint Walburgakerk: Eton College Chapel and The King's Consort in a programme of Handel and Purcell (050-448686)

COPENHAGEN

Tivoli Koncertsalen 19.30 Kees Bakels conducts Tivoli Symphony Orchestra in Dvorak's Sixth Symphony and Piano Concerto, with Rudolf Firkusny. Tomorrow: Aage Haugland gives a recital of songs by Mozart and Mussorgsky. Sat and Mon: Aksel Wellejus conducts Tivoli Symphony Orchestra. Next Tues: Vladimir Ashkenazy conducts ECYO in Mahler's Third (3315 1012)

GENEVA

Hôtel de Ville 20.30 Arpad Gerecz conducts the Orchestre de la Suisse Romande in Bartok's Divertimento for string orchestra, Beethoven's Fourth Symphony and Honegger's Cello Concerto, with soloist Daniel Grosgurin. Sat: Heinz Holliger, Ursula Holliger and Jean Sulem play music for oboe, harp and viola. Sun and Mon in Eglise Saint-Germain: Christophe Coin and Michel Kiener play Bach sonatas for viola da gamba and harpsichord. The Geneva summer concerts continue *till* mid-September (289982)

LONDON

DANCE

Covent Garden 19.30 Birmingham Royal Ballet triple bill: Galina Samsova's production of Paquita, Frederick Ashton's Jazz Calendar and Graham Lustig's Inscape. Tomorrow and Sat: David Bintley's full-length ballet Hobson's Choice. These are the final performances of the BRB's London season (071-240 1066)

Royal Festival Hall 19.30 English National Ballet in a popular programme comprising Vicente Nebrada's Our Waltzes, Ben Stevenson's Three Preludes, a section of classical Divertissements and David Lichine's Graduation Ball. *Repeated tomorrow, with* matinee and evening performances on Sat. Next week: Ronald Hynd's production of Coppelia (071-928 8800)

MUSIC

Queen Elizabeth Hall 19.00 Opera Factory production of Cosi fan tutte, directed by David Freeman and conducted by Nicholas Kok. Also Sat (071-928 8800)

Royal Albert Hall 19.30 Witold Lutoslawski conducts the BBC Symphony Orchestra in two of his own works: the world premiere of Chantefleurs et Chantefables, with Solveig Kringlebotn soprano, and the Cello Concerto, with Natalia Gutman. In the same concert, Mark Wigglesworth conducts Britten's Sinfonia da Requiem and Bartok's Music for Strings, Percussion and Celesta. Lutoslawski gives a pre-Prom talk at 18.15. Tomorrow and Sat: *Sibelius, Schumann, Magnus* Lindberg and others in two concerts with the Finnish Radio Symphony Orchestra. Sun: Joan Rodgers sings in Mozart's Mass in C major. Mon: Matthias Bamert conducts Alexander Nevsky (071-823 9998)

THEATRE

Royal Shakespeare Company in the Barbican main theatre, Chekhov's The Seagull is showing tonight, directed by Terry Hands, with a cast including Susan Fleetwood, Simon Russell Beale and Roger Allam. Tomorrow and Sat, there are performances of Ian Judge's colourful, camp production of The Comedy of Errors. Tonight's performance in The Pit is of The Last Days of Don Juan, Nick Dear's adaptation of Tirso de Molina's bawdy morality play. *Sam Mendes's production* of Troilus and Cressida can be seen tomorrow and Sat, with a cast led by Ralph Fiennes and Amanda Root. Next week's repertory includes King Lear and Christopher Marlowe's Edward II (071-638 8891)

New Shakespeare Company At the Open Air Theatre, Regents Park, Macbeth (tonight and tomorrow) is directed by William Gaunt and designed by Bruno Santini, with Peter Woodward and Nichola McAuliffe as the leading couple. There are matinee and evening performances on Sat of The Boys from Syracuse, Rodgers and Hart's witty 1938 variation on the theme of The Comedy of Errors, in a hugely enjoyable production directed by Judi Dench (071-486 2431)

For information about other shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

NEW YORK

MUSIC

Avery Fisher Hall 20.00 Bruno Weil conducts music by Mozart and Schubert, played on period instruments by The Classical Band and Malcolm Bilson fortepiano. Tomorrow and Sat: George Cleve conducts Mostly Mozart Festival Orchestra in Mozart's Piano Concerto No 17 with Peter Serkin and Violin Concerto No 2 with Pamela Frank. Mon: Eugenia Zukerman and Garrick Ohlsson join the Takacs Quartet in a programme of chamber music by Mozart and Schumann (875 5030)

OFF BROADWAY THEATRE

● Lusting After Pipino's Wife is a comedy by Sam Henry Kass, in which four working-class singles find that the only thing worse than being alone is being involved (Forty-fifth Street Theater, 354 West Forty-fifth Street, 564-8038).

● The Time Machine is Harv Dean's stage adaptation of H.G.Wells' classic science fiction novel, in which an English inventor travels a thousand years and finds a world of total strangeness (Upstairs at the Second Studio for Actors Theater, 163 West Twenty-third Street, 453-7050).

● Forever Plaid is a musical comedy written and directed by Stuart Ross, about a semi-professional harmony group whose opening tour is cut short by a fatal accident, and who are allowed one night back on earth to finish the show (Steve McGraw's Place, 158 West Seventy-second Street, 595-7400).

● Mambo Mouth, written and performed by John Leguizamo, is a play featuring seven comic character sketches (Orpheum Theater, 126 Second Avenue, 477-2477).

Ticketron answers inquiries and sells tickets (246-0102)

PARIS

Eglise Notre-Dame du Travail 20.30 John Poole conducts the Groupe Vocal de France in a wide-ranging programme including Penderecki's Agnus Dei, Six Anthems op 79 by Mendelssohn, Giles Swayne's Magnificat and works by Britten and Schumann. Mon at Eglise Saint-Germain: organ recital by Dominique Ferran (4804 9801)

ROME

Caracalla 19.15 Concert by soloists of the Teatro dell'Opera, followed at 21.00 by the ballet Zorba the Greek, also Sat. Tomorrow and Sun: Nabucco. The Caracalla Music Festival runs till August 21 (488 3641)

VERONA

Arena This weekend's events consist of John Cranko's production of the Prokofiev ballet Romeo and Juliet (tomorrow), Turandot conducted by Daniel oren, with Maria Noto in the title role (Sat), and Nabucco with Sylvano Carroli in the title role and Linda Roark Strummer as Abigaille (Sun). Performances continue till the end of August (045-800 5151)

Teatro Romano 21.00 Programme of five ballets devised and performed by the Alwin Nikolais and Murray Louis Dance Company, repeated tomorrow and Sat. (045-807 7111)

VIENNA

Arkadenhof 20.00 Steamboat Stompers, jazz ensemble. Also tomorrow (4000 8410)

Esterhazy 19.30 Trio Wanderer plays piano trios by Mozart and Dvorak (825208)

Konzerthaus 20.00 Charles Mackerras conducts the English Chamber Orchestra in music by Mozart and Schubert, with Markus Schirmer piano soloist. Tomorrow: Theodor Guschlbauer conducts ECO. Sat: Paul Badura-Skoda with ECO and Mackerras (4000 8410)

Schubert-Kirche, Biedermeierhof 20.00 Kurt Schmid conducts the Tonkunstler Chamber Ensemble in a Mozart programme (587 9643)

Theater an der Wien 19.30 Freudiana, musical by Woolfson and Parsons. Daily except Wed (58830)

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Thursday August 8 1991

Questions for Mr Baker

THE MANAGEMENT of Britain's prison system is an example of public administration at its worst. Many of the inmates should not be serving custodial sentences. Most of them spend most of their time either locked up or idling in corridors. They are less likely to re-offend if while incarcerated they receive useful training or work in productive jobs. Only a small minority do so. The great Victorian penitentiaries, built to house one prisoner per cell, all too often crowd their guests in in twos and threes. Sanitary conditions are still for the most part unspeakable. Prison officers work to antiquated rules, their productivity kept low by a union whose notions of representing the interests of its members are anachronistic to say the least. It is hardly surprising that there were riots at Strangeways, or that two IRA suspects escaped from Brixton.

Much is being done to improve the system. The criminal law now encourages courts to look for alternatives to imprisonment as a means of punishment of non-violent offenders. Perpetrators of violent crimes are to be kept inside for longer. The home secretary, Mr Kenneth Baker, has spoken in favour of reforms that would seek to keep inmates in training or usefully employed; unfortunately he seems unable to extract extra money from the Treasury. Without it he will be unable to implement these measures, or indeed most of the other reforms proposed by Lord Justice Woolf following his inquiry into the Strangeways riots.

Capital spending

Capital spending remains high. Mr Baker's predecessors initiated the most extensive prison-building programme this century. The new institutions are slowly beginning to come on stream. Decent plumbing is being installed in the older buildings. The government would dearly love to break the Prison Officers' Association, as it did the National Union of Mineworkers, but no home secretary has yet shown the necessary nerve.

It is against this background of broadly reformist home office policies that the escape of the two IRA men must be judged. The report by Judge Tumin lays the blame on operational failures, of which it gives a lengthy list. In consequence, the prison governor directly responsible for operations inside Brixton has been obliged to retire early, while the head of the relevant section of the prisons department has likewise lost his post. According to Tumin there was no failure of overall policy. Mr Baker read this as meaning that there is no occasion for him to resign.

High-risk prisoners

If parliament was not on holiday he would nevertheless be subject to a great deal of conjecture as to whether the Tumin thesis is right. In a report last December the judge had indicated that the most dangerous or escape-prone prisoners – those in "high-risk category A" – should be removed from Brixton. The home secretary could argue that his department was working towards doing that, at its own pace, but that pace seems not to have been quickened following a police tip-off last February that an escape was being plotted. After the escape the plan to house high-risk prisoners in the brand-new Belmarsh prison from November was brought forward to next week.

If there is a charge to be laid against Mr Baker it is not that his strategy is wrong. That is the responsibility of the entire government. Made in the home office, by departmental officials, the underlying policies enjoy cross-party support. Nor is there much with which to find fault in Mr Baker's presentation of his case to the public. He is very good at that. His weakness, as perceived in Whitehall, lies in the backroom work – in ensuring that the quality of administration is adequate. A minister is not accountable for policy alone. He must also make certain that his department is well-run. The prisons service manifestly is not. In most respects – even the taming of the POA – Mr Baker can be excused on the ground that he has not been in his job long enough to make an impact. In some, like the decisions on the category A prisoners at Brixton, that explanation does not wash.

Seeing sense on hostages

WHEN A White House spokesman said recently that the Middle East peace process involved many contacts much less visible than those of Mr James Baker, the Secretary of State, he was probably referring, among other things, to the hostages held in Lebanon. Too often in the past, hopes for their release have been cruelly raised by hints from the region that a breakthrough was at hand. For that reason alone it is important to remain cautious about the reports in the Tehran Times on Tuesday that two western hostages would soon be freed.

But it is justified to consider whether the political context in which the hostages are still being held has become more propitious. Since Mr Terry Anderson of the Associated Press, was seized in Beirut on March 16 1985, the region has been turned on its head.

Iran, which has undoubted influence on Islamic Jihad, the group holding Mr Anderson, was forced to sue for peace in its eight-year war with Iraq and then had the satisfaction earlier this year of seeing its enemy, President Saddam Hussein, suffer a heavy military defeat. President Hashemi Rafsanjani of Iran does not like the consequent increase in US power in the Gulf, but Iraq's defeat allows him a wider regional role and a better opportunity to press ahead with the reconstruction of his country's battered economy.

Iran's milestone

Mr Rafsanjani knows that Britain will not send an ambassador to Tehran or restore export credit guarantees until there is progress on the hostages. He is equally aware that continuing US hostility leads to incidents such as the recent blocking of British civilian aircraft sales to Iran. He might easily dismiss such setbacks when seen against the background of his country's wider economic contacts, but what he cannot ignore is that Iran derives no compensating advantage by being associated with Islamic Jihad, or other extremist factions in Lebanon.

Indeed, the hostage issue is a millstone around Iran's neck, and especially damaging to its efforts at presenting itself as a more modern and pragmatic nation.

Much the same is true of Syria. President Hafez al-Assad has in the past few months been carefully measuring the changes in Middle East political weightings. He was delighted to see the punishment meted out to Mr Saddam, his old enemy, and proud of the dominance he has again achieved in Lebanon. On the debit side, he can no longer count on the military and political support of the Soviet Union while Israel is militarily stronger than ever. In order to consolidate his gains and minimise the threats, Mr Assad greatly pleased President Bush by agreeing for the first time to direct talks with Israel.

Syrian advance

One of the niggling stones left in Mr Assad's generally more comfortable shoe is that of the hostages. Mr Assad cannot make impressive political advances in Lebanon and in the next breath claim that he has done everything possible to secure the hostages' release. The Syrian leader is a dauntingly serious politician with an impressive record of persuading people within his own sphere of influence to do what he wishes.

An Iranian minister was in Damascus for talks yesterday and the two countries should continue to find they have much in common, albeit soured a little by the outstanding bills for oil sales which Syria has yet to pay. Tehran's old dream of exporting its revolution to southern Lebanon has largely gone. It has little more to gain from further involvement. Syria would like to demonstrate that its stewardship of Lebanon can prove beneficial to the outside world.

No action would better fulfil the political requirements of Syria and Iran than the release of all the western hostages in Lebanon, together with encouragement for the same groups to trade the Israeli soldiers they hold in return for the hostages taken from southern Lebanon by Israel. There would be no rewards for the kidnappers, or for Syria and Iran. But Mr Assad and Mr Rafsanjani would reap notable benefits from the way in which their countries were viewed.

Ingo Walter asks what is to be done to plug the holes in the network of international supervision that allowed BCCI to flourish

The market for financial secrecy

Fascinating as it may be, the story of Bank of Credit and Commerce International (BCCI) – and the Banca Nazionale del Lavoro, Bank Bumiputra, Banco Ambrosiano, Bank of Boston, and other banking scandals – is merely symptomatic of a much deeper set of issues, only rarely discussed in the media. Each revelation finds its origins in markets that are not allowed to function well. This invariably gives rise to a murky, underground market that usually functions very well indeed, the international market for financial secrecy.

Like many other banks, BCCI set out in search of inefficient financial markets, that is markets in which there is money to be made through the significant spreads facing buyers and sellers of financial services. To remain viable in competitive markets, financial institutions are under constant pressure to contain costs and better manage risks. And they must persistently search out any remaining pockets of profitability by applying process and product innovations, and by penetrating new client groups and geographic markets where their competitive resources can be effectively brought to bear. Unfortunately, financial institutions usually discover that these new markets themselves sooner or later become more efficient and less profitable as a result of their own efforts and those of their rivals.

Two closely inter-related factors, however, can provide an assured source of sustained profitability for banks willing and able to take advantage of them – market distortions and the market for financial secrecy. Both are characterised by persistent inefficiencies and profit potential. Both are basic to BCCI's spectacular rise and fall.

Taxes, exchange controls, interest-rate controls, price controls, and trade barriers all give rise to economic incentives for the formation of parallel markets intended to avoid or evade them – markets that are often very narrow, inefficient, and highly profitable. The symptoms are familiar enough – smuggling, thriving domestic and cross-border black markets, tax evasion, bribery and corruption of public officials. All are ultimately traceable to regulation-induced market inefficiencies that can throw off enormous amounts of cash.

Tapping into such market inefficiencies means, logically, finding the most heavily distorted national economies and then ferreting out viable ways to do business in them. The obvious choice, the command-type economies of eastern Europe, usually presented a difficult environment. Much more attractive inefficiencies have always been lodged in developing countries bent on pursuing misguided macroeconomic policies using direct controls, often with heavily overvalued currencies, where many public and private transactions are undertaken far removed from open and fair markets. When BCCI styled itself as a Third World bank it created a niche for itself for doing well by (ostensibly) doing good.

Of course, such market distortions are not confined to heavily controlled economies; they also exist in economies basically organised along free-market lines. Taxation is universally applied to finance public expenditures. Specific products such as cigarettes and alcoholic beverages are often exceedingly heavily taxed for revenue reasons and to discourage their use. Regulation of various aspects of economic life, ranging from pollution control and the number of taxis permitted, to bank safety and soundness, exist even in the most liberal economies. And there is the whole range of activities defined as criminal, including the sale and use of controlled substances.

Yet banned or restricted activities continue to be carried out in organised and unorganised fashion as long as there is demand, through what are often highly sophisticated underground channels renowned for their market imperfection and extreme profitability. It may thus have been a rather small step for BCCI successfully to transfer the business practices it cultivated in its Third World origins and corporate culture into servicing these particular markets in the industrial countries.

Avoidance and evasion of controls imposed by governments usually involves transactions between buyers and sellers that are considered illegal, immoral or irresponsible, and therefore create the need for financial secrecy – and willingness to pay for it.

There are all kinds of reasons for financial secrecy that in most societies are considered perfectly legitimate, ranging from personal privacy and business confidentiality to the conduct of foreign policy. Yet it can easily be used for illicit transactions as well. The drug trade, capital flight, tax evasion, official corruption, weapons trafficking, terrorist activities and financial fraud give rise to enormous money flows that must be kept secret at their source – permanently.

What an individual or group is willing to pay for financial secrecy depends mainly on the perceived personal and financial cost of disclosure. The higher the cost, the greater the willingness to pay. The price comes in the form of higher fees, lower yields, and higher risks associated with financial transactions and the management of financial assets than would exist if secrecy were not a consideration. It also comes in the form of so-called "agency costs", the risk that a client who is in no position to respond due to the risk of disclosure will be charged extortionate fees, stuffed with substandard assets, or have his portfolio stolen from or "churned".

In short, it is easy to visualise a three-way trade-off between returns, risk and secrecy – the first two must be sacrificed to obtain the third. As in any economic process, demand creates its own supply. And so there have always been individuals, institutions and countries that make a business of selling secrecy. These include banks, trust companies, casinos, lawyers and accountants, as well as nations with strict secrecy and blocking statutes.

Normally, the financial secrecy involved is fully sanctioned by society and represents an inexpensive off-the-shelf "commodity" service, such as restricted insight afforded all banking clients. It is when enhanced and perhaps custom-tailored secrecy services are required – such as the use of multiple offshore secrecy havens, money laundering, creation of layered shell corporations and trusts, fictitious invoicing, and back-to-back lending – that higher prices are encouraged. The lower the probability of disclosure, the higher the price. And the less reputable the secrecy vendor, the greater the agency costs.

The notion that providing clandestine financial services to those in need of secrecy can be extraordinarily lucrative is self evident, and BCCI seems to have exploited this highly imperfect market with great skill. It may well be that BCCI did not begin life the way it ended, that its founders did indeed intend this to be an "ordinary" bank. But a successful "ordinary" bank must bring to the table financial, technical and human resources that BCCI never had, and must position itself in markets that are under constant threat of competition from powerful rivals. So BCCI appears to have quickly gravitated to the most imperfect of financial markets, markets that could be highly profitable and virtually immune from competitive erosion. To exploit this global niche, BCCI had to acquire appropriate resources, the most important being people willing and able to evade and suborn law and regulation worldwide.

It also had to create elaborate camouflage in the form of Byzantine internal and external accounting and reporting arrangements – including the nefarious "bank within the bank" – as well as a large volume of legitimate business. But the bank's extraordinary growth and profitability clearly were impossible to explain in terms of ordinary business. And the solvency problems gradually becoming apparent with ongoing investigations go well beyond the usual "banana skins" (in areas like real estate and sovereign lending) that have bedevilled ordinary banks in recent years.

Banks that evolve along the lines of BCCI can impose on society exceedingly high costs through financial and behavioural contamination. Most obvious on the financial side are the costs imposed by ultimate failure on uninsured creditors, including small depositors, and on the taxpayers underwriting any safety-nets that may have to be called upon. Many large, sophisticated financial institutions appear to have cut their business with BCCI long ago, concerned about lack of openness and counterparty risk, so that classic banking contagion problems may not arise in this case. And BCCI seems to have been successfully prevented from contaminating some other financial institutions through acquisitions.

Among the non-financial social costs, institutions like BCCI clearly help undermine the fiscal and political integrity of governments, and facilitate all kinds of activities damaging to society – most notably bribery and corruption of public officials, organised crime and drug trafficking.

What is to be done? Plugging holes in the network of international financial supervision seems to be on the front burner of galvanised central banks and outraged politicians. Criminal charges are being vigorously pursued in a number of countries, and will send important signals to bankers. But while such initiatives are clearly necessary, they are hardly sufficient. They uniformly ignore the fact that BCCI was itself largely a creature – indeed a logical consequence – of conditions created by governments in which market imperfections and financial secrecy flourish.

More lasting solutions surely lie in removing some of the underlying distortions that created the demand for BCCI's services in the first place. What would happen to capital flight and evasion of exchange controls if governments pursued responsible economic policies that produce positive real interest rates and market-determined exchange rates? What would happen to tax evasion if governments pursued broad-gauge tax policies widely considered to be both reasonable and fair? What would happen to drug-money laundering if controlled substances were legalised, or alternatively if users and suppliers alike were subject to draconian penalties? And what would happen to bribery and corruption of public officials if a whole gamut of dysfunctional controls on the conduct of business were removed, leaving them with few favours to grant or withhold?

Such initiatives would target the demand for the kinds of financial services in which BCCI appears to have specialised. In effect, they would have undermined the economic basis of BCCI's very existence. Some of these initiatives are increasingly perceived to be in the public interest and are being applied as part of economic policy reforms, especially in developing countries like Mexico. Others like drug legalisation or liberalisation of health and safety standards will never be widely implemented, because the social and political costs of doing so are considered excessive. For them, supply-side approaches that make the financial aspects of illegal activities far more costly and risky may indeed represent progress. But precision surgery of this kind depends fundamentally on understanding the nature of the disease.

The author is Charles Simon Professor of Applied Financial Economics and director of the New York University Salomon Centre.

Nomura

In the chart that accompanied an article on the Japanese brokerage house Nomura, which appeared on this page on Monday, the figures for the operating profits of the top four Japanese brokers for the year to the end of March 1991 should have read: Nomura Y237.6bn, Daiwa Y129.2bn, Nikko Y81.2bn, Yamaichi Y72.3bn.

OBSERVER

Monstrous mistake

■ When it comes to posthumous earning power, the all-time champions must be dinosaurs. Not only do books about them sell in millions, but in the words of Keele University historian Dr Hugh Torrens: "The money made out of them by other products – from bog rolls to ravioli – is enormous."

While the creatures themselves disappeared some 65m years ago, however, they were not recognised as dinosaurs until relatively recently. They were seen as members of various different species until Sir Richard Owen, founder of Britain's Natural History Museum, identified them as all of the same group.

His "invention" of dinosaurs has in turn been identified as taking place in a lecture he gave to the British Association for the Advancement of Science in Plymouth in August 1841. Hence sundry 150th-anniversary high-jinks including the issue of commemorative stamps by the Post Office, and the association's return to Plymouth for its 1991 meeting.

Alas, the celebrations appear misplaced. The great scientific event did not happen in 1841.

Torrens, having studied the lecture given by Owen, says that besides failing to mention dinosaurs it shows Owen still saw them as of different species. It was not until 1842 that he discovered otherwise and said so in a scientific paper.

And while one year in 65m might not seem much to the lay public or even to prematurely celebrating scientists, it matters a lot to the discipline of history.

Bristol fashion

■ West Country residents probably should not worry at this stage that their illustrious local journals are soon to metamorphose into the *Western Daily Femail* or *Big Bristols Evening Post*. David Sullivan, the former sex-shop supremo eyeing up the Bristol Evening Post, remains a realist at heart.

The 42-year-old girly-magazine publisher, who brought the world such journalistic coups as "World War II Bomber on the Moon" and "Aliens Turned My Son Into an Olive", is remarkably honest about his chances of getting a seat on the Bristol board today.

Observer touched base with him (by phone that is), in his bath yesterday and he was quite frank about the fact that he did not stand a chance of being elected at today's annual general meeting.

But despite all the splashing of water, I did not hear him rule out raising his 10 per cent stake or making a full bid in order to build a national daily based in Bristol.

Fuse change

■ Being group managing director of a UK telecommunications company sounds like one of the more dangerous jobs around. Last year Graeme Odgers parted company with BT, Britain's biggest company, and now Cable and Wireless has lost Gordon Owen overboard. Presumably Racal Telecom's Gerry Whent has been inspecting his service contract. But then he is chief executive, so his job should should be a little more secure.

In some respects Gordon Owen's departure clears the air. Despite its glamorous stock market image Cable and Wireless's management has suffered from many of the same defects as BT. Much of the top management grew up in the equivalent of state-owned monopolies which are hardly the best breeding grounds for managers of growth businesses undergoing rapid technological change. Indeed, BT has probably gone further than Cable and Wireless in bringing outsiders into its top management.

The record of Lord Young, Cable and Wireless' executive chairman, shows that he is jolly good at shaking things up. Choosing Gordon Owen's replacement and ensuring that C and W lives up to its new found slogan – the world telephone company – will be more difficult.

"I'll never forget where I was when I heard Kenneth Baker almost resigned."

Holiday plans

■ Does John Major know what he has let himself in for on his trip to President Bush's holiday home in Kennebunkport, Maine, at the end of this month?

It is not going to be a quiet couple of days mulling over the rival merits of cricket and baseball. George Bush's idea of a relaxing time is a rapid round of golf, some vigorous jogging and a game of horseshoes, all before breakfast. Mr Bush may have thought that Mr Major, 20 years his junior and fitter looking than either Chancellor Kohl or President Mitterrand, would be a perfect companion for his energetic pursuits.

However, as a result of a car crash in Nigeria when he was a young banker, Britain's prime minister has a bad knee and cannot walk for long distances without suffering considerable pain. This was being quietly pointed out to the White House last week by British diplomats.

That leaves Mr Major with the option of the Bush motor boat from which the president fishes. The only snag is that the Commander-in-Chief drives his boat like a racing car – to the apparent consternation of another recent guest Japan's Toshiki Kaifu. Perhaps Mr Major should practise his swimming before he flies over.

Word of mouth

■ Yet another directory of City stock brokers has landed on Observer's desk. A worthy tome from Streets Communications(price £55), it covers in excess of 1000 analysts in over 60 firms. It notes that the only firm which declined to be included was Paribas.

Well, not quite. There is also no mention of the blue-blooded firm of Cazenove & Co which at last count had upwards of 80 analysts.

Kurdish revolt

■ Picture the scene. A group of Kurds, worried about being left defenceless, are preparing to demonstrate against the evacuation of a contingent of British troops from an airstrip somewhere in Northern Iraq. On the incoming flight is an intrepid British TV camera crew keen to breathe some media oxygen into the event.

The troops wile away their wait by agreeing to write some English language placards for the tribesmen's forthcoming demo. Plane arrives, cameras whirr. Cut to Kurds waving placards – "say No to Poll Tax".

هكذا من الأصل

Newcomers hit by left, right, centre

Mrs Cresson has stirred up political hostility to immigrants in France, says George Graham

Mrs Edith Cresson's first task, when she was named as France's prime minister in May, was to start stepping on toes and shaking up the terms of political debate.

On one subject, at least, she has succeeded: immigration.

Three months ago, the attention of government and opposition alike was focused on the series of violent upheavals in the crumbling housing projects and blighted dormitory suburbs of Vaulx-en-Velin, near Lyon, and Mantes-la-Jolie and Sartrouville outside Paris.

The issue was integration: how to bring the disaffected youth of these towns, often first- or second-generation immigrants with little education and fewer job prospects, into the French mainstream?

The answers ranged from a reform of local government finances, with the aim of redistributing FFr900m (£90.2m) of revenues from wealthy municipalities to their worse-off neighbours, to an emergency plan to build 1,000 football pitches and sports grounds in disadvantaged areas.

Today, the debate about integration has been drowned out by a noisier argument: how to keep out immigrants and how to clamp down on those who have settled in France illegally.

In short, the terms of the political debate have changed: immigration has moved to the heart of the battle that will be fought in next year's regional elections and in 1993's parliamentary elections. Only Mr Jean-Marie Le Pen, head of the extreme right-wing National Front, has not changed tack; indeed, he has scarcely had to open his mouth at all, for the other parties have taken up many of his favourite refrains.

On the right, Mr Jacques Chirac, leader of the neo-Gaullist RPR, launched a crude tirade against Africans, while Mr Gérard Longuet, chairman of the free-market Republican party, argued that the colonial policies of 30 years ago were right after all.

"Either we arrive *en masse* in Africa with managers and capital, or Africa will arrive in Europe," Mr Longuet said.

On the left, Mr Jean-Pierre Chevènement, the former defence minister, has come out in favour of immigration quotas by country and by profession. Mr Jean Poperen, minister in charge of relations with parliament, says: "I don't want France to turn into the Bronx."

But it is Mrs Cresson who has most clearly marked the Socialist government's change of heart, with a series of brutally casual remarks on how to organise the mass expulsion of illegal immigrants.

A crush of immigrants in Nice seeking to normalise their residency status; top, Edith Cresson

It is just possible that neither Mrs Cresson nor Mr Chirac are, in fact, racist. Mr Chirac has often demonstrated a propensity for getting carried away and saying whatever he thinks his audience wants to hear. And government officials try to argue that Mrs Cresson is merely unthinking, not hostile to other nationalities.

Yet the swing to extremes in their language on immigration has worried many of their supporters, while pleasing another portion of the electorate.

In practice, there is little change in the government's aims, in comparison either with those of the previous socialist government of Mr Michel Rocard, and even with the apparently tougher approach of the 1986-88 government of Mr Chirac.

As all parties gear up for the coming elections, however, the words have become more important than the policies – to the distress of those trying to implement the latter.

Chief among these is Mr Jean-Louis Bianco, minister for social affairs. "A precondition for the integration of legal immigrants is that there should not be this worry, this psychosis, often stirred up by politicians or the media, about illegal immigration," he says.

In fact, there seems to be little evidence of a surge in immigration. Insee, the French state statistical institute, says the number of foreigners legally resident in France has probably remained more or less stable over the past 10 years at about 3.6m, or 6.3 per cent of the population, although this proportion rises to 13.3 per cent in the greater Paris region. More than 10m French residents, however, have either a parent or a grandparent of foreign nationality.

Routine immigration, mostly of seasonal workers and family members of residents, brought 114,000 people into France last year. A further 13,000 refugees were granted asylum, of 56,000 who asked for it.

The number of aliens without papers is unknown, but only 130,000 people took up a 1981-82 amnesty, suggesting that it may not be high.

Adding irony to the debate is a recent Insee study showing that France's birth and death rates are likely to lead to a shortage of labour from 2005 onwards. The study calculates that an immigration rate of 142,000 a year in the first decade of the 21st century would keep the workforce stable – arousing howls of rage from politicians on right and left alike.

Yet the study only repeats what President François Mitterrand himself said in a recent television interview. "France needs foreigners to come to work here," he commented.

Mr Mitterrand's efforts to tone down the remarks of his prime minister have not been enough to convince the many socialists who were outraged by Mrs Cresson's comments. Nevertheless the presence in the government of Mr Bianco, whose commitment to fighting racism is beyond doubt, has soothed some qualms.

"The socialists have received a slap in the face from the government," said Mr Jean-Marc Ayrault, the socialist mayor and MP for Nantes.

In terms of immediate popularity, the Cresson line may present some initial attraction, for opinion polls suggest that it is largely the wealthier and more intellectual supporters of the socialist party who are upset by her rhetoric – the "caviar left," as Mr Georges Frêche, the socialist mayor of Montpellier, called them in a defence of the prime minister.

Working- and middle-class socialist voters appear to be much more in tune with Mrs Cresson, as are the socialist elected officials of many high immigration areas.

In the context of a broader political strategy, however, the swing to harder rhetoric seems to offer little prospect of electoral advantage to the left.

As Mr Jean-Marie Colombani, political editor of Le Monde, argues, the immigration debate offered the socialists the ideal opportunity to castigate the opposition led by Mr Chirac and Mr Valéry Giscard d'Estaing for making a pact with the devil, in the shape of Mr Le Pen's National Front. "Unfortunately for the president, Mrs Cresson has gone off in the other direction by talking in such an offhand tone," Mr Colombani writes.

This apparent blunder, coupled with Mrs Cresson's string of gaffes and her disastrous showing in the opinion polls – scarcely more than a third of French voters approve of Mrs Cresson as prime minister – has encouraged some politicians to speculate on her speedy departure, to be replaced by Mr Jacques Delors, president of the European Commission.

This scenario is mostly thought to be improbable, however, both because of the devastating admission of error it would imply for Mr Mitterrand – who has continued to back Mrs Cresson to the hilt – and because few in Paris believe that Mr Delors wants to return to his native soil as anything less than a presidential candidate.

At all events, if Mrs Cresson has succeeded in her brief spell in office in shaking things up, she has done nothing to reverse the likelihood of a resounding defeat for the left both in next year's regional elections and, more importantly, in the parliamentary elections of 1993.

BOOK REVIEW

Military tale with modern parallels

DEFENDING THE EMPIRE
By Rhodri Williams
Yale University Press, £25
306 pages

The latest British defence white paper was published last month amid a remarkable absence of public debate, except for the anguish about the loss and amalgamation of some regiments. That is surprising because it is, after all, the first white paper to attempt to take account of the end of the cold war and the first to outline substantial cuts in British forces on the European mainland. And it is odd, to say the least, that there was no outcry, even from the Labour party, about the lack of any obvious "peace dividend". The new defence with reduced manpower, it seems, will cost almost as much as the old.

British politics was not always so quiescent. I was reminded of that while reading a new, rather scholarly book about the British defence debates in the early years of this century. The country had just been humiliated in the Boer War and it was becoming apparent that defence priorities had to be re-examined. Indeed it had been said even before the Boer War that Britain had to "maintain the largest empire that the world had ever seen with the military capabilities of a third-rank power". In other words, the question had already been raised of matching resources to commitments.

In those days, the defence depended largely on sea power. The commitments were India, the home base and the rest of the colonies, probably in that order. When the fleet assembled at Spithead to celebrate the diamond jubilee in 1897, the great Admiral Fisher remarked: "Five strategic keys lock up the globe." They were Dover, Gibraltar, the Cape, Alexandria and Singapore, and all were in British hands.

After the Boer War, however, Fisher began his reforms, which involved bringing much of the fleet nearer home. In 1904-05 more than 150 ships were actually scrapped. Previously British naval power had been measured by the "two power standard", which meant that it had to be at least as strong as the two other strongest navies combined. Those were originally the French and Russian.

Yet as the economic strain of trying to keep up with the proliferation of sea power in the rest of the world became too great, the two power standard was frequently adjusted. The American navy, for instance, was omitted from the equation and it was tacitly admitted that the British would not be able to take on the Japanese in their own waters.

A dominant fact, of course, was the rise of Germany and its naval ambitions. After nearly a century of strategic isolation from the continent, that raised the possibility that Britain might once again have to fight a military campaign in Europe. The future of the army thus became just as important as the future of the navy.

What emerges from this book by Rhodri Williams is the relatively high level of the debate. To be sure, there were emotions and sentimental attachments. Of the old militia, Lord Selborne wrote: "It is one of the very oldest institutions of the country, the oldest except for the church and the monarchy. The history of my regiment goes back without interruption for 500 years." In 1906 someone wrote a best-selling alarmist novel called The Invasion of 1910.

There were also some extraordinary arguments about the morality and desirability of compulsory national service in an open economy. An official report suggested that if you have the right to teach a lad the three Rs, you also had the right to teach him drill and basic military training in schools.

By and large, however, ministers were concerned with the enormous costs of military spending. Certainly on the Liberal side of the House, there was a desire to put more of the money into social reform. Even Prime Minister Asquith, who might have been expected to take a more imperialist view, went along with demands for defence spending to be contained. On the opposition side, the Conservative leader Arthur Balfour managed to restrain the wilder elements in his party who wanted almost unlimited defence spending. Indeed it is the main thesis of the book that it was Balfour's co-operation with the government on defence matters that enabled moderate policies to be pursued.

This is an historical work, which does not seek to preach a message. Yet the modern reader must be struck by some parallels with today. There were ministers and military struggling away with costs and commitments. Many of them were aware that the country was already over-extended and could never have met all its commitments at once.

We have moved a long way since then: through two world wars and the alliance system of post-war Europe. The argument about the 1930s is that defence was unduly neglected. Yet by 1990 – the latest white paper is called Defence for the 90s, suggesting a policy for a decade – the situation is surely different. Here, however, is a set of commitments that has hardly changed since the departure from east of Suez more than 20 years ago.

True, there will be cuts in manpower resulting from the changes in Germany and the ending of the Warsaw Pact. But for the rest Britain will continue to play a largish role on the European mainland as well as defending the the eastern Atlantic and the residual colonial responsibilities. Above all, there will be no appreciable fall in costs. The country will go on spending about 4 per cent of gross domestic product on defence, against 3.6 per cent for France and 2.9 per cent for Germany.

Two questions arise. Whatever happened to the defence debate, and why does Britain persistently devote more resources to defence than other countries? I suspect that the Treasury has been asleep and the debate merely delayed. Williams, meanwhile, has moved on from academic work to a job in the Foreign Office.

Malcolm Rutherford

LETTERS

Danger of blind faith in 'the money supply'

From Mr Roger Bootle.

Sir, Recent discussion on your pages has given undue credit to the followers of monetarism. Anthony Harris (August 5) described the warning of the Liverpool Six who famously wrote to the Times in February as "prophetic". Presumably, he was referring to their fear of a deep recession. But they also warned of the difficulty of reducing interest rates within the ERM, and favoured a devaluation or even withdrawal from the system. Yet those of us who refused to sign the letter argued that rates could be reduced within the ERM. Rates have since been reduced by 3 per cent.

Moreover, you do not need to be a monetarist to have been pessimistic about prospects for recovery, nor even to be alarmed by current trends in the monetary aggregates. Economists in the Radcliffian tradition pay more attention to bank lending than money supply. At the moment, they are giving the same exceedingly grim message. This is where monetarists and non-monetarists can agree.

But if, as Tim Congdon (Personal View, July 31) advocates, the authorities under-funded the PSBR, this would lay bare the differences for it would boost monetary growth while doing nothing (directly) to expand credit.

Insofar as this worked, it would do so by lowering the long-term rate of interest and raising the market value of both gilts and equities.

The real threat to recovery is the (understandable) scramble by both borrowers and lenders (belatedly) to heed the financial advice offered by Shakespeare some 400 years ago: "Neither a borrower nor a lender be. For loan oft loses both itself and friend.. and borrowing dulls the end of husbandry" (Hamlet).

Economic recovery will require a revival of confidence and lower interest rates. Painful though it is, staying with the ERM discipline will help revival. By all means try a bit of under-funding, but let us not be led up the garden path, this time in hope of recovery rather than disinflation, by the same blind faith in "the money supply" which caused us so much trouble in the early 1980s.

Roger Bootle,
chief UK economist,
Midland Montagu,
10 Lower Thames Street, EC3

Liberalising a Brazilian market

From Mr Jose Serra.

Sir, The article on the Brazilian computer industry (World Trade News, July 23) does not accurately reflect the content of the law the Brazilian Congress is about to approve. The new law will liberalise markets considerably. The market reserve will end after October 1992 and non-tariff barriers against computer goods will disappear. Tariff rates, which do not depend on that law, will be reduced. Foreign enterprises will have free access to produce within the domestic market. As well as nationally-owned companies, they will be able to have the same tax exemptions. The only tax incentive that is exclusive for the nationally-owned companies has to do with the possible 1 per cent corporate income tax deduction for capitalisation of Brazilian computer enterprises. This incentive would last until 1998. It is a small incentive that would hardly scare foreign companies. Finally, the composition of the National Computer ("Informatica") Council will take up a more favourable open-door policy and increase liberalisation of the computer industry. Perhaps a more balanced analysis of the trends of the legal changes might have required broader sources of information.

Jose Serra,
Congressional representative of Brazil.
Camara dos Deputados,
Sao Paulo, Brazil

Airbus Industrie firm on support

From Barbara Kracht.

Sir, Regarding your Personal View column ("It is unfair subsidies that keep Airbus flying", August 6), Airbus Industrie is surprised by the articles and statements in the press concerning discussions with the Gatt relating to the levels and forms of government support for the civil aviation industry.

Airbus Industrie believes the issue should be dealt with within the appropriate framework involving government representatives. It reiterates that all support made available by European governments has always been, and remains, consistent with the Gatt regulations. It also considers government support, including indirect US government support benefiting its US competitors, must be covered by the new rules under discussion.

Barbara Kracht,
Airbus Industrie,
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31707 Blagnac Cedex, France

Water companies' dividends of real interest to regulator

From Mr Philip Chappell.

Sir, Mr Alasdair Macleod (Letters, August 2) is wrong to criticise Ofwat's consultation paper on Cost of Capital so far as it relates to dividend policy. Of course, the growth of shareholders' funds and the company's distribution policy is a matter ultimately for the shareholders; but the regulator, on behalf of the customer, does also have a real interest in that policy, if only because retained earnings provide a sounder base for gearing. Since borrowed money has a lower cost, the benefits of that increased gearing can flow through to the public in lower prices. It is for that reason that dividends and dividend cover are two of the eight key indicators which are set out in each company's licence.

Financial commentators have, perhaps inevitably, concentrated on Ofwat's comments on dividend policy: but they form only part of the wide-ranging Cost of Capital review. Customers, who are presently faced with price rises above the rate of inflation, will want to take a broader view. The proposed assumptions on cost of capital are less generous than those assumed in the 1989 negotiations which led to the agreement on price rises over the next decade. If these assumptions are brought into effect either at interim reviews or the periodic reviews due in 1994, customers will want to know what the effect will be, in terms of reduced price rises. For customers as a whole is it £50m, £100m, or more, per annum?

Philip Chappell,
chairman,
Thames Customer Service Committee, OFWAT,
30-34 Albert Embankment,
London

Switzerland should remain an island – and different

From Mr Monty Berchten.

Sir, As a Swiss who has lived mostly outside his native country, may I comment upon the last point made by William Dullforce in his article, "Angst in the Alps" (August 1). It would be truly a good thing for Britain, with its population of 55m, its internationally recognised language, and its important manufacturing base, to accept and influence the broader EC, despite the misgivings of a number of its politicians. But it could also be true that for Switzerland, with a population of 6m, schweizerdeutsch and a small manufacturing base, it would be a bad thing. Switzerland, with as much clout as a feather-duster, would become an appendage of Das Grosse Deutschland and lose its identity, alpenhorns, cuckoo-clocks and, more importantly, its neutrality.

In a world of alliances, Switzerland would still remain an island where anybody and everybody could come and find a different and greener environment, a different viewpoint and, with luck, a country the eurocrats forgot. Much has been written about the Swiss looking out, in and at each other. I submit it is all a mistake. One should look at Switzerland from the outside and no one put it better than Pierre Daninos: "When a post-mortem was made upon a Frenchman, he was found to have his heart in France and his wallet in Switzerland."

Monty Berchten,
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Garston,
Watford, Herts.

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Thursday August 8 1991

Farm co-operatives likely to be main purchasers from Treuhand banking consortium

One fifth of east German land to be sold

By David Goodhart in Bonn

NEARLY *one fifth of the land* of east Germany has been handed over to a German banking consortium which will try to sell it on behalf of the Treuhand privatisation agency.

The Treuhand, which inherited 2m hectares of farmland and forest as well as east German industry, has handed over 1.4m hectares to the banks which will also have responsibility for administering the land before to its sale.

The sale, likely to be largely to former members of farming co-operatives, or to the co-operatives themselves, will not be *simple. The co-operatives have* no capital and the land is subject to a large number of claims from former owners which will have to be checked.

Profits from the sale will be *shared between the Treuhand* and the banks in the consortium: Deutschen Siedlungs und Rentenbank (Bonn), Deutschen Ausgleichsbank (Bonn), Landwirtschaftlichen Rentenbank (Frankfurt) and Industriekreditbank (Düsseldorf).

Seperately, the Treuhand emphasised that it was more interested in keeping jobs than maximising returns when Mr Ludwig Tränker, *head of the* company closure department, said that the Treuhand preferred liquidation to bankruptcy as that made it easier to save jobs. So far the Treuhand *has only liquidated 525 compa*nies causing the loss of 87,000 jobs.

The Economics Ministry in Bonn, in a positive report on the Treuhand which appears to mark the end of its ambition to win control of the organisation from the Finance Ministry, said the agency had taken over 85 per cent of the old debts of the 2,600 companies sold so far.

The report stressed that not a single deal had fallen through because of problems with old debt or with the ecological liabilities of east German companies. These have also, generally, been shouldered by the Treuhand. The Economics Ministry also said very few deals had fallen through because of problems associated with claims from previous owners.

The ministry rejected the claim that large companies were being favoured in the Treuhand's sales and said that two-thirds of the companies *sold had gone to small and* medium-sized concerns.

Separately, the Treuhand was yesterday accused of contributing to the de-industrialisation of east Germany after it announced that Narva, the east Berlin electric light factory, was to be sold to a consortium of Berlin property companies. Mr Peter Haupt, a state secretary in the Berlin Labour Ministry, said he doubted that the commitment to keep 1,050 jobs to the end of 1992 would be kept.

Banking secrecy laws, Page 2

US on alert for release of Lebanon hostages

By Peter Riddell in Washington

THE US is preparing for the possible release of a British and an American hostage held by kidnappers in Lebanon, Mr Marlin Fitzwater, the White House spokesman, said yesterday.

In contrast to previous cautious official statements about *western hostages, Mr Fitzwater* said the US had received "a number of reports" from diplomatic sources in the Middle East and from the Swiss, who had reported on "the rumour of a *hostage release*".

The State Department has arranged for a reception team of medical and psychological experts to go to Wiesbaden in Germany, the site of a US base where other hostages were taken after their release. The team will fly out as soon as there is hard information.

Mr Fitzwater said that the situation was "mainly just wait and see. In preparation, we've notified the families of six American hostages that we have these rumours and so there's always a possibility".

Islamic Jihad, a group believed to be holding most of the 12 western hostages in Lebanon, said on Tuesday that it would send a special envoy to deliver an important message to Mr Javier Pérez de Cuéllar, the *United* Nations secretary-general, on the hostage situation. The group kidnapped Mr Terry Anderson, an American journalist, in 1985 and his photograph accompanied the Islamic Jihad statement.

*Mr Pérez de Cuéllar said yes*terday he was disappointed that the hostage holders in Lebanon had not yet contacted him. He promised to meet them anywhere, any time.

The US has been cautious about recurrent reports of the imminent release of hostages.

President George Bush warned on Tuesday that "hopes get raised over and over again. I do not want to make any statement of any kind that would contribute to the concern of the families involved".

*Three rocket-propelled gre*nades exploded outside a UN office in Beirut yesterday and an previously unknown group, calling itself the Organisation for the Defence of Prisoners' *Rights, said it staged the* attack to underline its demands that the western hostages be swapped for Arab detainees held by Israel. No casualties were reported.

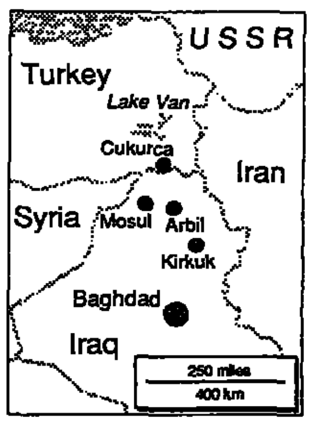
Editorial Comment, Page 10

Turkey sets up zone in Iraq to combat Kurds

By John Murray Brown in Ankara

TURKEY yesterday established a three-mile buffer zone inside northern Iraq as its ground and air forces pounded positions occupied by guerrillas belonging to the Kurdish Workers Party, PKK, the Turkish separatist movement fighting for an independent Kurdistan in south-east Turkey.

The move to establish a buffer zone follows a PKK *rocket attack* on *Sunday* on a Turkish army post near Semdinli in which nine soldiers died and comes in the middle of a big military incursion by Turkish air and ground units *against PKK bases, which set* up camps inside northern Iraq during the Gulf war.



A defence force spokesman yesterday disclosed that 92 sorties had been flown by F-4 and *F104* fighter bombers against guerrilla bases in northern Iraq. He also disclosed that a commando regiment estimated at about 2,000 men, had been operating in northern Iraq since *Monday against* a *PKK* camp at Duji containing some 600-700 guerrillas. He confirmed that PKK settlements had been destroyed and that commandos had seized strategic positions.

The three-day operation involves ground troops operating up to 19km inside Iraq in an area close to Turkey's border with Iran and Iraq.

The Turkish operation has been condemned by Iraqi Kurds who claim the Turkish airforce is targeting civilian settlements. A statement from the Kurdistan Democratio Party, called for allied forces to intervene to stop the "indiscriminate" bombing against civilian targets.

The KDP claimed that 11 people were killed in a Turkish *air raid at a refugee settlement* at Kherazook on monday.

"We totally refute Turkish claims that they are attacking PKK bases. These settlements are inhabited by displaced *Kurds who are living in make*shift shelters."

Meanwhile, Mr Mesut Yilmaz, the Turkish prime minister, warned yesterday against a regional power vacuum in northern Iraq, and said the PKK was infiltrating the border area. *Mr Yilmaz indicated* he might seek international backing for the buffer zone plan.

"There is no authority in north Iraq. The PKK are crossing the border. We can't stay disinterested. We are establishing a three-mile zone. Turkish military aircraft will attack anyone who comes into the area...Turkey is going to declare the zone to *all* the world," the prime minister said.

The exact status of the Turkish buffer zone is still unclear, as is how Turkey intends to *garrison the border. One diplo*mat suggested it may operate like the "free fire zones" established by the US in Vietnam.

The plan also seems likely to be limited to the troubled area rather than the entire 150km border.

Turkey has stepped up cross-border raids against the PKK in recent weeks as the guerrillas move bases from the Syrian *border to exploit the confusion* of the allied withdrawal from northern Iraq at the end of their relief operation to help 450,000 Iraq Kurdish refugees return.

The Turkish military has repeatedly voiced concern that the allied operation allowed the PKK a cover to operate against Turkish positions.

IAEA accuses Iraq, Page 4

Ankara denies agreement to return territory in Cyprus

By Kerin Hope in Athens and **John Murray Brown** in Ankara

TURKISH officials said yesterday that no agreement had been reached to return Turkish Cypriot territory seized in the 1974 invasion.

According to Greek Cypriot newspapers, Mr *Nelson* Ledsky, the main US negotiator, said the Turkish Cypriots were willing to return between 7 and 12 per cent of the island as part of an attempt to end the 17-*year-old partition. Turkish* Cypriots occupy 37 per cent of Cyprus.

In Ankara, Mr Ferhat Ataman, a Foreign Ministry spokesman, said the sides were *not discussing percentages.* "That should be part of an overall solution," he said.

The return of Greek land, along with the question of the repatriation of Greeks forced to leave the north of the island when Turkish forces invaded, *are two of the Greek side's* main demands.

Western diplomats believe the Turkish Cypriots may be prepared to give up around 9 per cent of the island to secure their demand for political equality with the island's Greek majority. The concessions could also be made in return for US economic aid.

This would reduce the Turkish *community's land to* 28 per cent of the island, which diplomats say is the maximum they are prepared to concede. The Turkish community comprises around 20 per cent of the *island's population of 695,000.*

In Athens, a Greek official said the Greek Cypriots would insist that at least 9 per cent was returned, including the port of Famagusta and the citrus-growing area of Morphou, enabling a large *number of refugees to return.*

Mr Ledsky last week urged Turkish Cypriots not to seek political equality as a precondition to talks, a position criticised by Mr Rauf Denktash, the *Turkish Cypriot leader.*

Mr Ledsky was in Cyprus this week for talks with Mr Denktash in an attempt to pave the way for September's planned quadripartite talks in New York.

These are due to take place between Greece, Turkey, the Greek Cypriot government and the leaders of the Turkish Cypriot community.

Greece is ready to attend such a meeting provided a draft agreement covering both the territorial and refugee issues, as well as constitutional arrangements and interna*tional guarantees, can be pre*pared in advance.

Executives seek sun, sea, sand and stress

By Michael Cassell in London

WHEN executives go on holiday they are quite likely to pack their dictating machines *alongside the diarrhoea pills.* The boss, according to a survey published yesterday, finds it increasingly hard to switch off.

A study conducted by Hyatt *Hotels & Resorts shows that* while nine out of 10 US executives believe holidays are essential to help avoid "business burn-out", nearly half cannot resist the temptation to *take work with them when* they escape from the office.

Their luggage is likely to include a personal computer, company files and a calculator and most say the office knows *where to find them at all times* in the event of an emergency.

A high number constantly call in from the bar or the air-bed to be convinced that the business can survive without *them. It nearly always does.*

Even so, the majority of high-fliers say they are happiest on holiday and reckon they undergo significant personality changes while soaking up *the sun. They claim they* become friendlier, more devilish and much more romantic – qualities which may not always be immediately recognisable to colleagues back *home.*

While most married executives nominate their spouse as the perfect holiday partner, 3 per cent admit they take off with someone else. Matching *luggage or not, most say their* sex lives improve dramatically.

There are potential drawbacks to taking a break. Top of the list is other people's chil*dren. Neither do their own off*spring escape some criticism; ideally, most would leave all minors at home.

According to Hyatt, which questioned 500 senior execu*tives, once they swap the pin*stripe for the Bermuda shorts, they become easily categorised. There are the "power players", who are as calm, cool and confident in the deckchair *as in the office chair; accord*ingly, they fail to notice any significant improvement in their job performance when they get back behind a desk.

The "stress fighters", on the *other hand, set out on a mis*sion to loosen up, exercising vigorously and avoiding excessive amounts of food and drink.

The "fugitives", despite their high level of achievement, are unhappy at work and still insecure. Holidays are the time to eat, drink and abandon sexual inhibitions. But they still worry about the job, the expense of the holiday and even the pets they have left behind.

Mr Howard Glazer, a stress management specialist and a consultant to Hyatt, says executives should take their holidays as seriously as their businesses: "Unfortunately, life is out of whack. As a child, all we do is play. Then all we do is work and, when we retire, all we do is play again. We need *to put life back into bal*ance every year".

The benefits of holidays, he says, can be enhanced by dreaming about them before the event and by fantasising *about the best bits long after* the tan has faded. But excessive staring out of the boardroom window is not to be recommended; too many distracted chief executives have found themselves taking holidays which were completely unplanned.

Hashimoto plans tough laws against illegal trade

Continued from Page 1

instead pay more attention to the interests of investors.

An official in the ministry's securities bureau said the bureau had begun a review of administrative guidance – written and unwritten instruc*tions – to securities compa*nies. The intention was to reduce the number of ministerial orders and replace them with more written laws on the one hand and more self-regulation on the other.

Such a move would change the emphasis in the ministry's policy towards a Western-style combination of laws and self-regulatory organisations. The ministry is reluctant to move too far on this road for fear of undermining its own powers.

The three separate lawsuits follow disclosures by several big Japanese brokerage houses that they paid compensation to certain clients between 1987 and 1990, Mr Stevens said.

The actions were being brought in the US rather than Japan because the rules of dis*covery allowing plaintiffs to* subpoena documents and witnesses were "much more generous in the US" and because of "home advantage", he said.

Without the influence of compensation on supporting the securities market US investors would have been able to buy the shares at prices below those paid when they acquired them. As a result any losses would have been narrower, any gains bigger, Mr Stevens said.

Yugoslav ceasefire fails amid renewed fighting

Continued from Page 1

Mr Kiro Gligorov, the president of Macedonia, and a sharp critic of Serbia's expansionist policies, yesterday said the parliament's decision was "the best way for Macedonia to peacefully become sovereign *and independent*".

In Bonn, fresh calls were made to impose economic sanctions against Serbia, which was held responsible for the breakdown at the weekend of the *EC's efforts to impose a* ceasefire.

Chancellor Helmut Kohl said on German television: "Those responsible – I am speaking here especially of the Serbian side – must know there can be no future economic aid for this country from the European Community if one crushes the right to self-determination with tanks".

Mr Hans-Dietrich Genscher, Germany's foreign minister, repeated his call that the EC should differentiate among the six republics in terms of political support and financial *assistance.*

"We could differentiate between other forms of economic and financial co-operation in the different republics," he said in a radio interview.

*Both Mr Kohl and Mr Gen*scher warned that Germany – along with other western countries – would be forced to consider recognising the independence of Slovenia and Croatia if all parties in Yugoslavia did not attempt to return to the negotiating table.

THE LEX COLUMN

Another one of those days

Whatever is sustaining the UK equity market at the moment, it is certainly not reported profits. Yesterday brought interim results from seven UK companies with market values of over £100m. The spread was fairly wide: an insurance company, an airline, a bank, two building materials companies and two engineers. A year ago they made combined net earnings of £236m. This time they made £20m. The aggregate dividend payout fell by only 12 per cent, with the result that aggregate cover fell from 2.4 times to 0.2 times. In response, the market leapt to within 4 points of its all-time high.

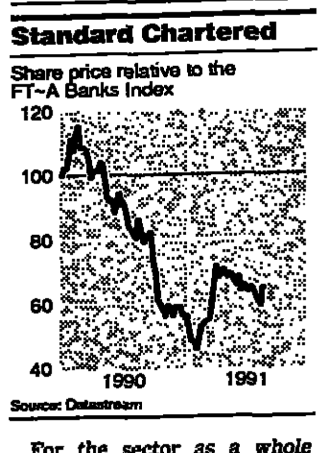
Doubtless, yesterday was not quite typical. According to County NatWest, by the end of July industrial earnings were down only 12 per cent year on year, while dividends were 7 per cent up. A good part of the market is protected from the economic cycle by monopoly or *oligopoly – some 25 per cent* of the FT-SE by value, if one includes the utilities, the drug companies and the food retailers. For the year as a whole, most big brokers are still *expecting corporate earnings* to drop by 5 per cent or less, with dividends 5 per cent up.

As for next year, the consensus is for an earnings recovery of up to 15 per cent, based partly *on the gearing effect of* lower wages on the manufacturing base, partly on the insurers and the banks working off their claims and bad debts. Even if that proves correct, *dividends will be up by* far less, simply because companies are smoothing their payments through the cycle. But the picture is not necessarily inconsistent with a strong market. Nor *is it strictly inconsis*tent that historic earnings should still be heading downwards: provided, that is, that they do not carry on at yesterday's rate.

FT-SE Index: 2,597.4 (+24.1)

Standard Chartered

Share price relative to the FT-A Banks Index



Source: Datastream

Commercial Union

On yesterday's evidence, Commercial Union probably deserves its reputation as the *best managed UK composite.* Thanks to its particular spread of business and the growing contribution from its life side, a £26m first half loss will almost seem commendable once the current reporting season is over. The problem for investors is how far the company merits its rating – a 5.9 per cent prospective yield compared with more than 8 per *cent at Royal and GRE* – and how far the progressive dividend policy is storing up problems for the future.

For the sector *as a whole* there would seem to be some encouraging evidence from CU on premiums. The outlook remains patchy, but there is reason to think that much-needed *rate increases on com*mercial lines will start to come through in 1992. There is far less reason to be optimistic about claims, which are proving far more difficult to control *than in the depths of the last* recession. Nor will other companies – notably Sun Alliance and Eagle Star – derive much encouragement from CU's experience in the mortgage *guarantee business. On only* £6m of premiums written it has losses of £4.5m in the first half; but bear in mind it only has two per cent of the market.

British Airways

Lord King, BA's chairman, seldom fails to provide a story of some sort these days. But it is hard to explain what the *market found in yesterday's* first quarter results to justify pushing the shares 5 per cent higher to 183p. To be fair, the airline narrowly beat most expectations. More encourag*ingly the revenue per passen*ger kilometre slipped much less over the period than had been feared. On the other hand, a profit of £9m is really neither here nor there for a *company as operationally* geared as BA. Business and first class traffic have been notably depressed in recent weeks; and the July cargo and passenger traffic figures also *out yesterday suggest the* going is getting tougher over the summer months.

There is little reason why BA should be optimistic at this stage. Its major customers, *after all*, are *UK* companies which are tackling recession not just by cutting payrolls but by slashing overheads like business travel. On the other hand, BA continues to attack its own cost base, its decision to put the South Wales engineering plant up for sale being merely the latest move on this front. Benefits will flow quickly to the bottom line when the upturn finally comes.

It may also be that gloom about competition on the *transatlantic routes* has been overdone. American and United will be formidable challengers with their service records and US feeder networks. Though BA is bound to *lose market share in the short* term, the newcomers will revert to sensible pricing when they get into their stride. BA's shares will end their long under-performing run some *day, even though yesterday's* figures do not look like calling the turn.

Standard Chartered

It is a standard view of the UK banking sector that there is little to choose between its two basket cases, Midland and Standard Chartered. Now that both have reported interim fig*ures, a gap seems to be open*ing. In headline terms, Midland's pre-tax loss is in gruesome contrast to Standard's mere 25 per cent drop in profits. The underlying picture *is the other way round. While* Midland's profits before bad debts rose 32 per cent, Standard's fell 7 per cent. Midland's staff costs fell by 2 per cent while Standard's rose by 16 per cent. Six months ago Midland's capital ratios were lower than Standard's. They are now higher.

The market is tempted to see both banks as recovery stocks, *as shown by the 5 per cent rise* in Standard's price yesterday and the 10 per cent rise in Midland's last week. In Midland's case, this rests on the theory that the underlying UK bank*ing business will emerge* in better shape as bad debts recede with the cyclical upturn. In Standard's case, what will emerge is the businesses in Africa and the Far East, *in Hong Kong in particu*lar. However, Hong Kong, which contributed £52m to yesterday's total of £71m profits after bad debts, is not quite the UK high street in terms of political risk.

At yesterday's 390p, Standard yields 6.8 per cent both historically and prospectively. For the dividend to grow, there must ultimately be growth in underlying earnings and no more blunders. It is too early to be sure that Standard is capable of either.

WORLDWIDE WEATHER

Temperatures at midday yesterday C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday August 8 1991

INSIDE

Peugeot to withdraw from US car market

Peugeot has decided to withdraw – after more than 30 years' presence – from the US car market. The French carmaker cites a prolonged fall in sales, aggravated by the current recession, for the withdrawal. Page 14

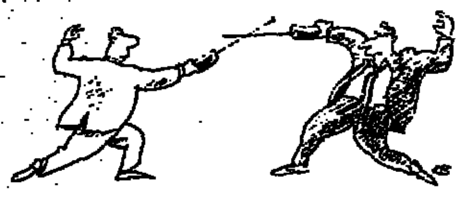
Standard Chartered falls 25%

Standard Chartered, the international banking group, saw its interim profits fall by 25 per cent yesterday. Pre-tax profits for the first half were down from £110m to £83m ($142m). Page 18

Heineken buys Hungarian stake

Heineken, the Dutch beer group, has made a foray into eastern Europe with the purchase of a 50.3 per cent stake in a Hungarian brewery. Page 14

Digital lines crossed

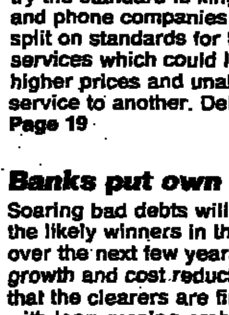


In the European mobile communications industry the standard is king. But US manufacturers and phone companies are on the verge of a split on standards for the latest digital cellular services which could leave consumers facing higher prices and unable to switch from one service to another. Della Bradshaw reports. Page 19

Banks put own houses in order

Soaring bad debts will make it difficult to spot the likely winners in the UK banking sector over the next few years. Underlying income growth and cost reductions, however, suggest that the clearers are finally coming to terms with long-running problems. David Lascelles reports. Page 18

Sasib's strategic spread



Sasib, Mr Carlo de Benedetti's (left) fast-growing conglomerate, has seen group sales soar from L165bn in 1985 to L619bn ($483m) last year thanks largely to small but significant takeovers, almost all financed out of cash flow. Although the group's interests now span food processing and packaging equipment, railway signalling electronics and tobacco machinery, it says its growth has been far from haphazard. Page 14

GKN pre-tax declines 52%

GKN, the UK automotive components, industrial services and defence group, yesterday announced a drop of 52.7 per cent in pre-tax profits to £47.5m ($81.2m)for the first half of 1991. Page 17

OCBC up 12% in first half

OCBC Bank, Singapore's oldest bank, lifted group first-half net profits 12.1 per cent to S$119.1m (US$69.6m). At the bank level, net profits were 15.1 per cent higher at S$72.6m against S$63.1m. Page 15

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Allianz AG	2118	+	45
Deutsche Bank	653	+	12.7
Hochtief	1265	+	44
Volkswagen Prf	322	+	9
Wella Prf	584	+	17
Zanders Feinpp	293	+	8

NEW YORK ($)

Rises			
Tenneco	39⅛	+	2½
Toys R Us	32⅛	+	¾
Woolworth	28⅞	+	¼
Falls			
Centocor	32½	−	2¾
VLSI Technology	6¼	−	1
Xoma	18¼	−	4

PARIS (FFr)

Rises			
Air Liquide	672	+	15
Dollfus Mg Cie	328	+	12.9
Lyon Eaux Dmz	524	+	14
Radiotechn	510	+	15
UAP	537	+	13
Falls			
Fonc Lyonnaise	657	−	23

TOKYO (Yen)

Rises			
Akasaka Diesels	1150	+	70
Bank of Tokyo	1380	+	80
Nippon Carbide	669	+	48
Nitto Seimo	1540	+	90
Falls			
Aichi Steel	601	−	39
TDF	560	−	35

New York prices as at 12:30.

LONDON (Pence)

Rises			
API	140	+	10
Ashtead	155	+	15
Culver Hldgs.	9½	+	2
GKN	349	+	11
Glaxo	1294	+	31
Ladbroke	273	+	7
Pearson	759	+	11
Reuters	825	+	20
Standard Chart.	390	+	20
WPP	120	+	13
Wickes	49	+	7
Falls			
Simon Eng.	310	−	4
TVS Ent.	32	−	3
WB Inds.	2	−	3

Chrysler plans $400m share offer

By **Martin Dickson** in New York

CHRYSLER, the US car manufacturer, yesterday announced plans to raise some $400m through a public share offering designed to strengthen its balance sheet, bolster its depleted reserves of cash and help its credit rating.

The offering is a major test of market confidence in the company and the US motor industry as a whole. Chrysler, the smallest of the Big Three American manufacturers, has been badly battered by the US recession but has recently expressed cautious optimism about its prospects.

The issue is also an embarrassment to Mr Lee Iacocca, Chrysler's chairman, who oversaw a large share buy-back programme by the company between 1984 and 1990.

Chrysler spent $1.85bn buying back shares at an average price of $21.13 – above the level at which it can now sell new ones. The company's stock was trading at $12¾, down $¼, on the New York Stock Exchange at lunchtime yesterday.

Chrysler plans to issue 33m new shares to the public – 28m of them in the US and Canada and a further 5m in an international offering.

At the same time, it will contribute 23m new shares, worth around $300m to the company's severely underfunded pension plan, which at the end of last year had $3.6bn of obligations in excess of its assets. This will help Chrysler's liquidity by cutting the amount of cash it needs to put into the pension fund this year and next.

The 56m new shares will represent about 20 per cent of the company's enlarged stock and will significantly dilute the stakes of existing investors,unless they subscribe to the issue.

The company's largest investor is Mr Kirk Kerkorian, the West coast entrepreneur, who built up a 9.8 per cent stake late last year. That move prompted Chrysler into bolstering its "poison pill" anti-takeover defences.

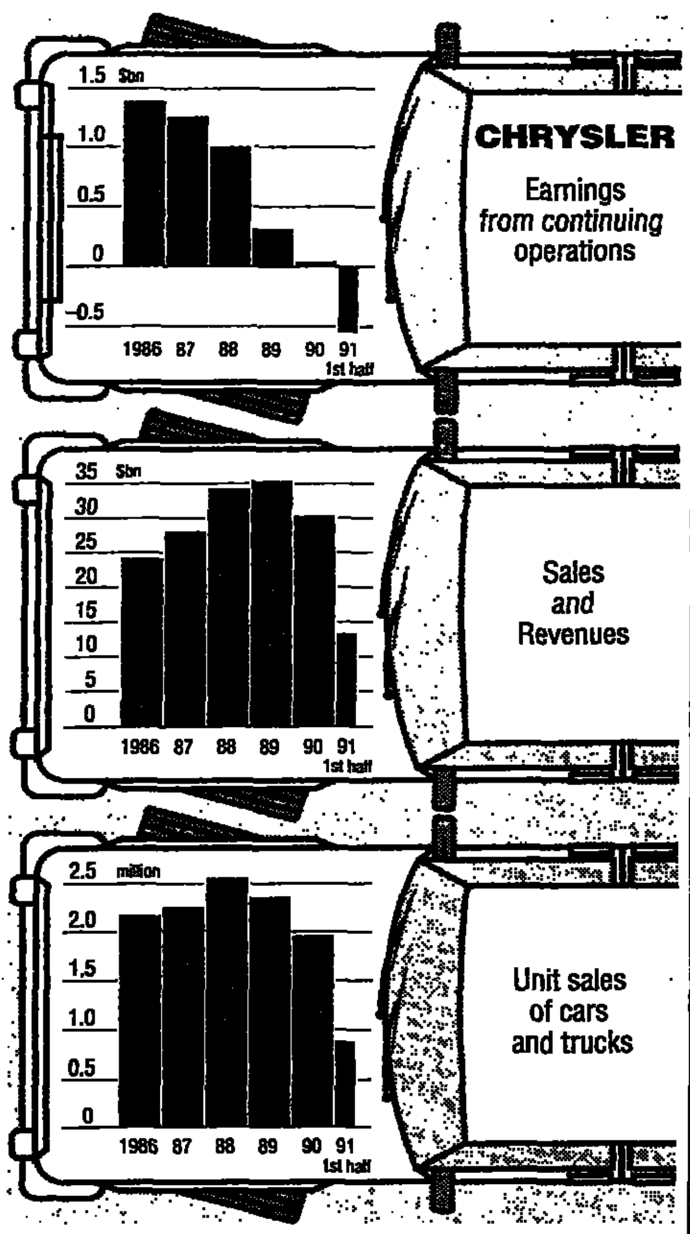
Chrysler lost $553m on an operating basis in the first half of this year and the reserves of cash in its car business have dropped from over $4bn last summer to around $2.4bn – at a time when it has to fund a $16.6bn five-year programme to develop new models and update its plants.

A successful equity offering would help its liquidity, and might save it from dipping into $1.75bn of bank credit lines.

It could also bolster its credit ratings, which were downgraded to junk-bond status earlier this year. This has particularly affected its access to the credit markets by its profitable financial services subsidiary.

Lee Iacocca (left), Chrysler's chairman, sees a bright future for the company, the question is whether Wall Street will take the same view

Gearing up to drive away from recession



MR LEE IACOCCA, chairman of car manufacturer Chrysler, has a well-deserved reputation as one of America's most consummate salesmen. This autumn he will need to muster all of his persuasive skills to encourage US and international investors to buy a large tranche of new Chrysler stock.

For Chrysler, which announced yesterday that it intends to issue some $400m of new equity in a public offering, hardly seems a company in the best of health.

Only last month it announced a first-half operating loss of $553m (£323m) and it is regarded on Wall Street as so financially stretched that its credit rating was reduced to junk-bond status earlier this year.

The company needs the equity injection to bolster its balance sheet, stabilise its credit rating and shore up its reserves of cash, which have been severely depleted by the US recession of the past year.

But as he sets out to woo investors, Mr Iacocca is likely to strike a surprisingly optimistic tone about the company's prospects. For over the past few weeks the message emerging from Chrysler's Detroit headquarters has been that, after months of financial battering, the company can see some hope for the future.

An upturn in the US economy will stabilise its finances and a new range of cars, due out in autumn next year, will transform its prospects.

Wall Street, however, is going to take a great deal of convincing. All of the Big Three US manufacturers – General Motors, Ford and Chrysler – have been hit hard by the US recession.

But Chrysler, the smallest of the three, has been particularly vulnerable, because it lacks the resources of GM and Ford – nor does it have the large overseas operations which have helped them offset the domestic downturn.

At the start of this year, some even suggested the company could face a re-run of its crisis in the early 1980s, when it was only saved from bankruptcy by a government bail-out and Mr Iacocca's management skills.

Mr Iacocca, however, is also blamed by critics for many of the company's current ills. He is charged with letting strategy drift in the mid-1980s, after Chrysler's remarkable bounce back to health, and diversifying into areas such as aerospace while neglecting the development of new cars.

The company now has to invest huge sums – $16.6bn between this year and 1995 – to replace its entire passenger car line-up and bring out new truck, sports utility and mini-van models.

By Martin Dickson in New York

Chrysler does at least deserve credit for taking protective action against recession well before its competitors. In 1989 it started selling off peripheral businesses, such as its aerospace operations, and drawing up a cost-cutting scheme designed to take $3bn out of its cost base.

The cost cutting has been a major factor helping the group to weather its most serious recessionary threat – a liquidity crunch. It went into the downturn last summer with solid reserves of cash, over $4bn. By the end of March the total held by its car operations was down to around $2bn, but by the next quarter that had improved to around $2.4bn.

However, the third quarter is traditionally a period of heavy cash outflow, when manufacturers shut their plants to prepare them for new models. The $400m equity offering would relieve pressure here. The company still has a $1.75 line of bank credit it can draw on, although it seems reluctant to do so for fear of alarming Wall Street.

It has also been looking – apparently without success – for ways to sell off a minority stake in its profitable financial services subsidiary. The group is also near to closing a deal to sell its 50 per cent stake in Diamond-Star, its US car assembly joint venture with Mitsubishi Motors.

This will not raise much money – perhaps $100m – but it would help Chrysler conserve development cash for its own new models, while continuing to give it access to Diamond-Star products. *In extremis*, it could also sell an 11 per cent stake it holds in Mitsubishi.

The most important of Chrysler's new models is the LH group of mid-range vehicles which will start rolling out in autumn 1992.

Mr Steve Miller, the company's vice-chairman, forecasts the LH will be a " hot product" comparable in importance to the Taurus, whose radical lines transformed Ford's fortunes in the mid-1980s. "I think it will dramatically change the image of Chrysler and spill over into the rest of the product line."

Chrysler makes little or no money on the cars side of its business (so any LH contribution will be a bonus), with the bulk of its profits coming from two other areas, mini-vans and sports utility vehicles.

So investors taking up the equity issue will be gambling Chrysler can hold its own on the truck side over the next few years and make a come-back in cars – despite intense competition from its US and Japanese rivals.

They will face two other big unknowns. One is for how long Mr Iacocca, who will be 67 in the autumn, will remain chairman and who will replace him.

The other is the possibility of the company attracting a takeover bid. Mr Iacocca, who evidently wants to retire on an upbeat note, held 12 months of merger talks with Fiat of Italy which were abandoned last November as the recession cast a shadow over both companies.

There are rumours in Detroit that he followed this up in January with an unsuccessful overture aimed at interesting Ford in a merger. True or not, global competition should keep Chrysler in the marriage market, though it may be unable to attract a permanent partner until Mr Iacocca's optimism is translated into a more bankable dowry.

French to take over seized US insurer

By **Nikki Tait** in New York and **George Graham** in Paris

A CONSORTIUM of French investors, including MAAF, the large mutual insurer, has agreed to take over the business of Executive Life of California (ELIC), the insurance company seized by state regulators in April.

Under the deal, much of ELIC's large junk bond portfolio would be acquired by Altus Finance, part of the Credit Lyonnais banking group, for $2.7bn. This money would then flow back into the ongoing insurance business.

Announcing the outline of the transaction yesterday, the Californian insurance department conceded that it would probably only provide ELIC policyholders with about 81 per cent of the cash value of their policies.

Under the agreement with the Californian insurance department, the French consortium would make a $300m capital infusion into the ELIC insurance business, creating a California-based, shareholder-owned life company. The new insurance business would be unable to invest more than 10 per cent of its assets in junk bonds, and would hold no property investments.

Altus would buy most of the junk bonds held by ELIC for $2.7bn while certain other assets – including some real estate and with a book value of some $680m – would pass into a "liquidating trust" which the insurance department will operate, with the disposal being the aim.

When the regulators moved into ELIC, the larger of the two main operating units in the First Executive life insurance group, last April, it had 170,000 life insurance policies outstanding and 75,000 annuity contracts. At that stage, ELIC – with assets of $10.1bn, of which $6.4bn was invested in junk bonds – was the largest-ever US insurance collapse.

MAAF is the second-largest mutual insurance company in France with premium income of FFr7.5bn ($1.29bn) last year, and number two in the French motor insurance market.

It is backed by some of the best-known independent investment funds in France: Pallas, headed by Mr Pierre Moussa, ex-chairman of the Paribas investment bank; Euris, under Mr Jean-Charles Naouri, formerly chief adviser to Mr Pierre Bérégovoy, finance minister; Marceau Investissements, led by Mr Georges Pebereau, ex-chairman of Compagnie Générale d'Electricité.

Dollar survives US rate cut

By **Patrick Harverson** in New York and **Rachel Johnson** in London

THE SURPRISE easing of US monetary policy by the Federal Reserve on Tuesday might have been expected to inflict further damage on a dollar already bruised by a sluggish US economic recovery and expectations of higher German interest rates.

Yet the US currency's resilience in the face of the Fed funds rate cut – it fell by less than a pfennig against the D-Mark when the news was announced and rose yesterday – suggests the dollar's recent frailty may have run its course.

Although the consensus in foreign exchange markets is that the dollar will not rise much over the coming months, it is not expected to weaken further either. For the moment, the forex markets appear content to support the dollar at DM1.70.

The depreciation of the US currency during the past month has been quite pronounced. During July, signs that the US economic recovery had stalled, and growing expectations of lower US and higher German interest rates, sent the dollar tumbling. The currency fell by 14 pfennigs, or 7½ per cent, to DM1.70 in four weeks.

New York currency analysts now believe the dollar's short-term decline has run most of its course. Lower US interest rates are now fully discounted by the markets, and further rate cuts by the Fed are not expected until October at the earliest.

German monetary policy is the one factor that could upset the dollar. If the Bundesbank decides at its council meeting next week to raise either the discount or official Lombard money rates by as much as one percentage point, the dollar could come under renewed selling pressure and fall through DM1.70.

The chances of a tightening are thought to have increased with the accession of Mr Helmut Schlesinger to the Bundesbank presidency.

He has hinted that he would like to tighten, while a fellow Bundesbank council member yesterday called for an increase in the discount rate, on the grounds that the current rate of 6.5 per cent provided too much of a subsidy for banks.

BA falls to £9m in first quarter

By **Paul Abrahams** in London

BRITISH AIRWAYS yesterday defied the twin curses of war and recession with pre-tax first-quarter profits of £9m ($15.4m).

The results to June 30 compare with profits of £156m last year but were better than most European and North American airlines which have fallen into loss.

The group's share price rose 8p to 183p on the results.

Analysts described the results as "impressive" given the state of the industry. They welcomed BA's efforts to control costs at £1.18bn, an £11m increase on the same period last year.

Yields – the amount passengers pay for their seats – had also held up well, said analysts. They fell 0.6 per cent in spite of a 13 per cent fall in premium passengers, according to Mr Peter Bergius, a transport analyst at Kleinwort Benson.

However, concerns were expressed about BA's Traffic figures for July which were weaker than expected. The number of Kilometres travelled by paying passengers declined 7.1 per cent on the previous year at a time when BA should be benefitting from holiday traffic.

The decline was particularly pronounced in high-yielding intercontinental traffic which fell 7.4 per cent. BA has reduced capacity by 2.8 per cent, producing a scheduled passenger load factor of 75 per cent compared with 78.5 per cent last year.

Lord King, chairman, said the results were better than foreseen at the end of the last financial year. However, he warned: "Business remains difficult with no further improvement in traffic relative to last year anticipated in the second quarter."

Turnover of £1.23bn compared with £1.3bn last year, a fall of 5.5 per cent. The operating surplus was £43m, against £123m, while net interest payable increased from £1m to £35m. This included a £6m loss on currency transactions on general purpose loans.

Basic earnings per share for the period fell from 15.4p to 0.8p. Fully diluted earnings per share fell from 12.9p to 1.4p.

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INTERNATIONAL COMPANIES AND FINANCE

Heineken acquires 50.3% stake in Budapest brewery

By Ronald van de Krol in Amsterdam

HEINEKEN, the Dutch beer group, has made its first foray into eastern Europe with the purchase of a 50.3 per cent stake in a Hungarian brewery.

The Komaromi Sorgyar brewery, which is located in Komarom, near Budapest, will be used for the local production of the Heineken group's Amstel brand of beer.

The Dutch company already exports its flagship Heineken brand to Hungary from production sites in the Netherlands. Local production facilities will enable Heineken to get around import quotas on foreign beers. Because of these restrictions, its sales of Heineken are a modest 700 hectolitres per year.

"We estimate that the [Hungarian] beer market, like in other European countries, will be segmented by an increasing number of beer brands and beer types," said Mr Gerard van Schaik, the chairman of Heineken. "We believe that consumer demand for international quality beers will also increase in Hungary in the future."

Heineken declined to give details of the transaction, which involves the purchase of part of the brewery's existing share capital from an agricultural co-operative and the taking up of a 33 per cent capital increase.

The remaining shareholders include several other co-operatives, oil companies and a few minority shareholders.

Heineken said that the Hungarian brewery was only three years old, meaning that it will not require any investments for modernisation or rationalisation.

However, the share issue will give the brewery a strong financial base for expansion of its production capacity in the near future, Heineken said.

"Heineken is keen to enter the Hungarian market and the reason why we were interested in establishing co-operation with Komaromi was because of its capable management, the good condition of the brewery, its modern and efficient infrastructure, and the good reputation with regard to the quality of [its] beers," Mr van Schaik said.

The Komaromi brewery, one of seven breweries in Hungary, currently produces and sells 350,000 hectolitres of mainly regional beers, giving it a 3.5 per cent of the country's beer market.

Heineken said the Hungarian company, which employs 250 people, had annual sales equivalent to Fl 20m ($10.3m) and was profitable. As in the case of Germany – a country in which Heineken has yet to make an investment – Hungary has a flourishing beer culture characterised by strong regional tastes and traditions. The Komaromi brewery's four brands are Talleros, Matros, Aranytaller and Kapsreiter.

America West poised to shed 1,500 jobs

AMERICA West, the struggling US airline which filed for Chapter 11 bankruptcy protection in late-June, has said that it might cut 1,500 jobs as it attempts to reorganise its affairs, writes Nikki Tait in New York.

The Phoenix-based airline said the first jobs to go would be those related to activities which are being pruned, but that all departments would be asked to find cost savings during the next few months. It anticipated that the job cuts would take effect over the remainder of the year.

America West, one of the non-union carriers which started operating following deregulation of the US industry, employs 15,000 people.

It recently announced a large second-quarter loss and unveiled a cost-saving programme, designed to reduce expenses by $100m a year. The carrier said then that it expected to cut its fleet from around 115 aircraft to between 90 and 100 for the rest of the year.

Commercial Union turns in £26.3m halfway loss

By Richard Lapper in London

COMMERCIAL Union yesterday set the tone for what is likely to be a miserable reporting season for the UK composite (life and general) insurers, by reporting a pre-tax loss of £26.3m for the six months to June 30.

At the same stage last year, CU posted a profit of £16m and was the only one of the UK's five leading composites to be in the black throughout 1990.

In spite of the loss, the group increased its interim dividend to 9.25p (9.00p) per share, a decision that Mr Tony Brend, chief executive, defended on the grounds of CU's underlying financial strength, the profitability of its life business – which accounts for about a third of total premium income – and confidence in the longer-term prospects for the group's non-life business.

During the first six months, shareholders' funds increased by £135m to £1.37bn; worldwide annual life premiums rose by 24 per cent and life profits by 8.2 per cent; while non-life premium income rose to £1.53bn from £1.34bn.

Sizeable underwriting losses in the UK were the most noticeable feature of the results. These rose to £104.3m compared with a loss of £58.3m in the first six months of 1990 and a surplus of £9.9m in the first half of 1989.

Last year's result was skewed by the impact of claims arising from the storms of January 1990. Losses from subsidence rose from £10m to £18m, but most of the damage came from theft and fire claims.

According to Mr Peter Ward, general manager for the UK, the cost of theft claims rose by more than 60 per cent.

Arson caused at least 25 per cent of industrial fires, with underwriting losses from these rising from £3.4m to £4m.

The recession has also caused a sharp rise in losses in mortgage guarantee insurance. In this area, CU has only a 2 per cent market share.

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Peugeot to pull out of US as sales fall sharply

By Kevin Done, Motor Industry Correspondent

PEUGEOT, the French car maker, has decided to withdraw from the US, the world's largest single car market, in the face of a prolonged fall in sales after more than 30 years in the American market.

Peugeot's sales in the US had dwindled to only 4,261 last year from 6,010 in 1989 and a peak of 20,007 in 1984.

The company has been present in the US since 1958.

European car makers operating in the American market have been hit hard by the prolonged recession in US car sales.

They are also facing increased competition from Japanese car makers, which are moving aggressively into the luxury and executive car sectors, where the European car makers have previously been most successful.

Peugeot had been planning to introduce soon in the US its top-of-the-range 605, which was launched in Europe in late 1989, to re-establish the company firmly in the executive car market.

Mr Pascal Hénault, president of Peugeot Motors of America, has informed the company's 151 US dealers this week, however, that Peugeot has decided to abandon its plans to export the 605 to America.

He said the decision had been taken "in light of the depressed state of the US market for European luxury models and of the future prospects of increased competition in this market segment".

He said that Peugeot had also decided that it was necessary to "focus resources on the new European unified market of 1993".

Peugeot's range in the US in the last couple of years has largely been limited to the 405 large family car, first launched in 1988.

The 405 has never proved a success in the US, however, and Peugeot has also decided to stop 405 production for the American market.

Mr Hénault said it was impossible to operate a car sales organisation in the US with a single car line.

Third leg brings balance to Sasib

Haig Simonian reports on the Italian company's expansion strategy

Sasib, one of fastest growing members of Mr Carlo De Benedetti's stable of companies, is suffering the fate of many conglomerates.

Although it is one of the world's leaders in its three core businesses – food processing and packaging equipment, railway signalling electronics and tobacco machinery – such a spread of interests has left it out of favour with analysts.

Buoyed by a string of small but significant takeovers, almost all of which have been financed out of cashflow, the Italian group's sales have soared from L165bn ($128.8m) in 1985 to L619.7bn last year. About 71 per cent of turnover stems from abroad. This year, plants outside Italy should account for about a third of group sales.

Sasib's rush to expand has not come at the expense of earnings. Net group profits rose by 16.6 per cent to L70.2bn last year, while dividends on ordinary stock have risen steadily to L230 a share last year from L175 in 1986.

It is the strategic thinking behind Sasib's takeovers that distinguishes it from dozens of light engineering counterparts dotted around Bologna. For while Sasib's takeovers have made it a regular stop for mergers and acquisitions men, its growth has been far from haphazard, says Mr Gian Carlo Vaccari, its chief executive.

The aim has been to build on Sasib's origins in the early 1930s as a manufacturer of cigarette-making machinery. Although its three current businesses seem very different, the underlying expertise of manufacturing precision equipment is similar, he explains.

Restructuring began in earnest in 1985 – some seven years after the arrival of Mr De Benedetti's CIR holding company which bought Sasib from US owners.

Until then, cigarette machinery and railway signalling were Sasib's bread and butter. While Sasib was a leading producer of cigarette-making machines, the western market was already mature.

Railway signalling had greater potential. But, tied to the Italian state railways system, Sasib's business was highly cyclical.

"We decided we needed to get more uniform and predictable growth," says Mr Vaccari. Hence the decision to develop a third core business.

The choice fell on food processing and packaging equipment, another Italian manufacturing speciality. Although the sector is very large, with world sales of around $2bn a year, it remains fragmented, according to Mr Vaccari. Many companies are family-owned and based on Sasib's doorstep.

While Sasib's sales of cigarette-making machinery and railway equipment have remained broadly stable since 1985, turnover in food processing and packaging equipment has surged to over L400bn last year. All the increase has come through acquisitions, first in Italy and more recently abroad. Three of Sasib's four takeovers in 1990 were in food processing machinery. And all three; Stewart Systems, Paxall and Meincke, were outside Italy.

However, Sasib's biggest purchase in 1990 was on the railways side. In October it bought General Railway Signal (GRS) from General Signal of the US, in a deal that will more than double rail equipment sales to around L200bn this year.

> The continuing aim will be to reduce the role of cigarette-making, internationalise the railway signalling business and expand food processing and packaging activities

Buying GRS was a vital step to internationalising Sasib's railways business, says Mr Vaccari. With sales of around $80m last year, GRS has around 30 per cent of the US market for railway signalling and is also active in Holland and South-east Asia.

In April, the group consolidated its railway activities by taking full control of Luzi, an Italian railway electrification specialist.

Most, but not all, of Sasib's 1990 acquisitions will be reflected in turnover this year, which should rise to "well over" L700bn, according to Mr Vaccari. Further benefits will show through in 1992, when full-year figures for GRS and Luzi are consolidated.

Mr Vaccari predicts fewer takeovers this year, with consolidation of the group's "first objective". But "we're still very interested in acquisitions", he says. "There has been a concentration in foods especially, but there are still companies in Italy and abroad which could be good targets for us."

The continuing aim will be to reduce the role of cigarette-making, internationalise the railway signalling business, and expand food processing and packaging activities.

Even without many takeovers, Sasib will have plenty on its plate. Although accustomed to turning round companies, restructuring GRS will prove its biggest challenge yet. Mr Vaccari will not reveal how much the purchase cost, nor how much Sasib may have to invest. But he admits GRS was not making money when Sasib took over.

Restructuring costs will affect 1991 earnings, which have already been depressed by slower first-half demand in many markets. Net profits for the year are likely to remain static.

Longer term, Sasib may also have to pay more attention to cigarette machinery. The tobacco industry does not face an inevitable downturn as consumption slumps, says Mr Vaccari, but the fall in smoking will oblige tobacco companies to invest in more productive, lower cost machinery.

With a reported 28 per cent fall in Sasib's sales of tobacco processing machinery in the first four months of this year, further expansion in cigarette making is unlikely, he admits.

Ares-Serono advances 5% to $31.5m midway

ARES-SERONO, the Swiss-based pharmaceuticals group which specialises in human fertility and immunological drugs, yesterday reported a 5 per cent increase to $31.5m in first-half net earnings, equivalent to $58 per share, writes William Dullforce in Geneva.

Consolidated turnover for the six months rose by 20.5 per cent to $364.3m compared with the first half of 1990. Excluding favourable currency fluctuations actual sales growth was 17.8 per cent, the company said.

Pharmaceutical sales increased by 19.3 per cent to $300.6m. Sales of diagnostic products also grew by 19.3 per cent to $53.3m while turnover in over-the-counter products rose to $10.1m from $5.4m.

Pre-tax earnings increased by 8.7 per cent to $50.5m compared with the first half of 1990. Profit growth has lagged behind the advance in turnover since 1989 mainly because of increased spending on research and development and the investment in the launching of a new enzyme-immunoassay system by the diagnostics division.

Net research and development spending in pharmaceuticals was 33 per cent higher than in the first six months of 1990; in May, Mr Fabio Bertarelli, chief executive, forecast that overall research and development costs would reach $131m for the year as a whole.

Profit performance improved between the first and second quarters. Pre-tax income rose by 14 per cent during the April-June period compared with the 2 per cent advance recorded in the first three months. The management said in May that for the year as a whole it was aiming for a net profit above $70m compared with the $63.6m posted in 1990 and an increase in sales to $800m from last year's $653m.

Last year Ares-Serono, which is listed on the Swiss stock exchanges, paid an unchanged dividend of SFr25 ($16.6) per bearer share and SFr10 per registered share after posting a 2.1 per cent advance in net earnings.

The group has an operating headquarters in Boston, US, and runs subsidiaries and plants in 20 countries.

INTL. COMPANIES AND FINANCE

Molson lifts dividend as earnings advance by 6%

By Bernard Simon in Toronto

BUOYED by a 6 per cent rise in quarterly earnings, Molson, the diversified Canadian brewer, has lifted its dividend for the fourth consecutive year.

Molson experienced difficult trading conditions in several markets, but nonetheless boosted net earnings to C$39.3m (US$34.4m) in the three months to June 30, from C$37.0m a year earlier.

Per share earnings for the period, which is the first quarter of fiscal 1992, fell to 71 cents from 75 cents, taking account of a three-for-two share split last month. Revenues climbed to C$762m from C$665.5m.

The quarterly dividend has been raised to 18 cents a share from 16.7 cents.

The earnings improvement was partly due to a sharp drop in excise and sales taxes on beer, following Canada's switch, earlier this year, from a manufacturers' sales tax to a value-added goods and services tax.

The strongest performer in the latest quarter was Molson Breweries, which is a joint venture with Australia's Foster's Brewing and has a dominant 51.8 per cent share of the Canadian beer market. The beer division's operating earnings rose to C$56.1m from C$48.8m.

Although Canadian sales were helped by the launch of a low-alcohol beer and warm weather, its sales of Canadian-produced beer in the US tumbled by 11 per cent from a year earlier. The company ascribed the fall to tax increases. Nonetheless, Molson, which is the second biggest supplier of imported beers in the US, said that its share of the overall import market increased.

Coca-Cola Amatil jumps 25%

COCA-Cola Amatil expects results in the second half of calendar 1991 to be ahead of those in the same period in 1990, following a 25 per cent jump in first-half net profit, Reuter reports.

The Australian beverages and snackfood group, 51 per cent owned by Coca-Cola of the US reported a net profit of $21.1m for the June 30 half, up from $16.85m a year earlier.

The company also announced it had been granted new Coca-Cola franchises in Hungary and Czechoslovakia. It has gained 100 per cent of Coca Cola Amatil Budapest, formerly a joint venture with Hungary's Budapesti Lioripari Vallalat. It has also agreed to acquire a franchise before December 1991 in western Hungary, which covers 16 per cent of the population.

It said that from September 1 it will be granted a franchise from its parent company to produce Coca Cola products in Czechoslovakia.

Domestic beverage sales grew steadily on the strength of core Coca-Cola trademark products and new product launches, while New Zealand operations lifted sales through organic growth and the acquisition of CCA Beverages NZ. European operations in Austria reported satisfactory profits.

Mr John Priest, finance director, said second-half results were usually considerably better than the first half, due to Christmas and the southern summer period.

OCBC improves 12.1%

By Joyce Quek in Singapore

OCBC Bank, the oldest of Singapore's big four banks, lifted group net profits by 12.1 per cent to S$119.1m (US$69.6m) in the six months to end-June from S$106.2m in the same period last year.

At the bank level, net profits were 15.1 per cent higher at S$72.6m against S$63.1m.

Earnings per share, at group and bank level, both gained 1 cent to 20 cents and 12 cents respectively.

The bank is paying an unchanged interim dividend of 5 cents.

United Overseas Bank, the largest of the four banks, has already announced that net profit rose by 4.5 per cent to S$145.4m.

The recovery in banks' lending growth, widening profit margins and lower loan provisions in view of a more positive economic outlook, may not be so evident at the interim stage, however. Banks in Singapore traditionally do better in the second half.

They are expected to benefit from higher underwriting income from new and rights issues amounting to S$700m so far this year, against S$1.4bn for the whole of 1990.

● JURONG Shipyard, Singapore's third largest ship repairer, outperformed its rivals and surpassed analysts forecasts in the first half, with a leap in group turnover to S$237.6m for the half-year to end-June from S$175.6m, largely as a result of the completion of three shipbuilding jobs in the first quarter.

Operating profits rose to S$42.3m from S$30.1m last time, while after-tax profits advanced to S$43.7m. Earnings per share went up from 21.6 cents to 31.2 cents.

Directors, who expect performance in the second half to be comparable to the first, declared a 15 per cent interim dividend.

BIL raises stake in CHH

By Terry Hall in Wellington

BRIERLEY Investments yesterday increased its holding in forestry and fishing group Carter Holt Harvey to more than 26 per cent. The New Zealand investment and trading group is expected to lift its stake in CHH even further, through the current NZ$457m (US$268.8m) CHH rights issue it is underwriting.

BIL said yesterday it had bought 61.8m CHH shares, or 6.5 per cent of CHH by exercising an option to buy from Krondor, a Carter family company. The shares cost NZ$109.25m.

Krondor represents the family interests of CHH executives Mr Richard and Mr Ken Carter.

CHH is New Zealand's biggest forestry company, following takeovers of NZ Forest Products, Caxton Paper Mills and vast areas of state forests. It has substantial fishing assets and is selling its Chilean and non-forestry Australian investments to reduce debt.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:05 pm on August 7

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	102	102½		7.45
ALBERTA PROVINCE 9 3/8 95	600	104⅛	104⅝		8.02
AUSTRIA 8 1/2 00	400	99⅞	100¼	+⅛	8.51
BANK OF TOKYO 8 3/8 96	100	99⅞	100⅛	+⅛	8.39
BELGIUM 9 5/8 98	250	105⅞	106¼	+¼	8.49
BFCE 7 3/4 97	150	99	99½	+¼	7.96
BNP 8 5/8 94	300	102½	102⅞	+⅛	7.66
BP CAPITAL 9 5/8 93	150	102⅝	103⅛	-⅛	7.57
CANADA 9 96	1000	104⅛	104⅜	+⅛	7.80
CARCO 9 1/4 96	650	101	101⅜	+⅛	8.99
CCCE 9 1/4 95	300	104⅛	104⅜	+⅛	7.77
COUNCIL EUROPE 8 96	100	99⅝	100⅛	+⅛	8.09
CREDIT FONCIER 9 1/2 99	300	105⅛	105⅝	+⅛	8.51
DENMARK 0 98	250	56¼	57⅛	+¼	8.43
DENMARK 8 1/4 94	150	101⅞	102⅛	+¼	7.53
ECSC 8 1/4 96	193	101⅛	101½	+⅛	7.97
EEC 7 1/4 93	250	100¼	100⅝	+⅛	7.04
EIB 7 3/4 96	250	99⅞	100⅛	+¼	7.81
EIB 9 1/4 97	1000	104½	104⅞	+⅛	8.29
ELEC DE FRANCE 9 98	200	103½	103⅞	+⅛	8.27
EUROFIMA 9 1/4 96	100	103⅛	103⅝	+¼	8.35
EXPORT DEV CORP 9 1/2 98	150	105⅛	105⅝	+⅛	8.46
FINLAND 7 7/8 97	200	97⅞	98⅛	+¼	8.45
FINNISH EXPORT 9 3/8 95	200	104	104½	-¼	8.20
FORD MOTOR CREDIT 9 1/2 93	300	102⅞	103⅛	-⅛	8.06
GEN ELEC CAPITAL 9 3/8 96	300	104½	105		8.20
GMAC 9 1/8 96	200	101⅞	102⅛	+¼	8.62
HALIFAX 9 1/2 93	200	103⅛	103⅝	-⅛	7.63
IBM WORLD TRADE 7 5/8 93	150	100⅛	101	+⅛	7.47
IND BK JAPAN FIN 7 7/8 97	200	97⅛	97⅝	+⅛	8.52
INTER AMER DEV 7 5/8 96	200	98	98⅜	+⅜	8.11
ITALY 8 1/2 94	1500	102⅝	102⅞	+⅛	7.53
JAPAN DEV BK 8 94	150	101⅛	101⅜		7.52
KANSAI ELEC PWR 10 96	350	106	106½		8.36
LTCB 8 5/8 93	150	101½	102	+⅛	7.54
NEW ZEALAND 8 93	100	100⅞	101½	+⅛	7.46
NIPPON CRED BK 9 3/4 93	150	103⅝	104⅛		7.85
NIPPON TEL & TEL 9 3/8 95	200	104⅛	104⅝	-⅛	7.97
NORDIC INV BANK 9 93	200	102⅞	103⅛		7.31
ONTARIO HYDRO 11 5/8 94	200	107⅞	108⅛	-⅛	8.25
OSTER KONTROLLBANK 8 1/8 93	200	101½	102		7.06
PETRO-CANADA 7 1/4 96	200	96¼	97¼	+⅛	8.09
PRUDENTIAL RLTY SECS 0 99	365.216	53⅛	53⅝	+⅛	8.87
QUEBEC HYDRO 9 3/4 98	150	105⅛	105⅝	+⅜	8.72
QUEBEC PROV 9 98	200	101⅞	101⅞	+⅛	8.70
SAINSBURY 9 1/8 96	150	103⅛	103⅝	+⅛	8.31
SAS 10 99	200	101⅞	102½	+½	9.71
SBAB 9 1/2 95	500	104⅛	104⅝	-⅛	8.10
STATE BK STH AUST 9 1/4 93	100	102	102⅜	-⅛	7.73
SUMITOMO BK CAP MKT 9 3/8 93	150	103	103⅜		7.86
SWEDEN 8 1/8 94	150	101⅞	102⅛	+⅛	7.43
SWEDISH EXPORT 9 5/8 93	100	103½	103⅞	+⅛	7.11
TOKYO METROPOLIS 8 1/4 96	200	100⅝	101⅛	+⅛	8.08
WORLD BANK 8 3/8 99	1500	100⅞	100⅞	+⅛	8.41
WORLD BANK 8 3/4 97	1500	103⅛	103⅝	+⅛	8.14
XEROX CORPN 8 3/8 96	100	98	99	+1⅛	8.87

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAPROVEN 11 1/8 95	200	102⅛	102⅝	+⅛	10.37
BULGARIAN TRADE BK 8 1/2 96	200	81⅛	82⅛	+⅛	13.82
DEUTSCHE BK FIN 5 5/8 96	750	88	88		8.78
DEUTSCHE FINANCE 7 1/2 95	1000	96⅞	96⅞	-⅛	8.55
EIB 5 3/4 98	400	85⅛	85⅛	-⅛	8.76
EIB 6 7/8 95	300	93⅛	93⅛	+⅛	8.78
EUROFIMA 6 1/4 98	400	87⅞	87⅞	+⅛	8.67
FERRO DEL STAT 5 3/8 93	500	95	95	-⅛	9.20
IND BK JAPAN FIN 5 5/8 96	200	87⅝	87⅝	+⅛	8.94
IND DEV BK INDIA 6 3/8 94	200	87	87	-⅛	11.18
INTER AMER DEV 7 1/4 99	300	91⅛	91⅛	-⅛	8.83
LUFTHANSA INT FIN 5 7/8 98	500	85	85	+⅛	8.93
NAT BK HUNGARY 8 96	200	90⅛	90⅛		10.52
QUEBEC HYDRO 6 3/4 99	300	87⅞	87⅞	-⅛	9.02
SWEDEN 6 1/8 98	300	86⅛	86⅛	-⅛	8.85
VENEZUELA 8 1/4 93	100	95⅛	95½	-⅛	10.67
WORLD BANK 0 15	2000	15⅞	15⅞		7.84
WORLD BANK 5 3/4 96	300	88⅛	88⅛		8.81
WORLD BANK 7 1/8 95	500	95⅞	95⅞	-⅛	8.53

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	91	92		6.85
AUSTRIA 4 5/8 98	100	88½	88⅞		6.87
CHUJITSUYA 7 3/4 95	50	102	102⅛		7.16
COUNCIL EUROPE 4 3/4 98	250	89½	90⅛	-⅛	6.79
EEC 5 1/2 00	100	90⅛	90⅞	-⅛	6.95
EIB 5 3/4 93	100	97½	98		6.98
ELEC DE FRANCE 7 1/4 06	100	103½	104		6.85
FINLAND 5 3/8 95	150	96⅛	96⅜	+⅛	6.34
GENERAL MOTORS 7 1/2 95	100	101	102	-⅛	7.16
JAPAN DEV BK 5 1/2 94	100	96½	97	-⅛	7.05
KOBE 6 3/8 01	240	98	98⅛		6.65
NEW ZEALAND 4 7/8 99	200	88	88½		6.98
QUEBEC HYDRO 5 08	100	76½	78		7.52
WORLD BANK 5 03	150	86	87		6.74
WORLD BANK 7 01	600	102⅛	102⅛	+⅛	6.68

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	95⅛	95⅛	+⅛	6.85
CREDIT FONCIER 5 1/4 94	20000	95	95½	+⅛	6.95
DENMARK 7 95	40000	100⅛	100⅞	+⅛	6.77
EIB 4 5/8 94	40000	94⅛	95	+⅛	6.77
FINLAND 6 3/4 96	50000	99⅞	100	+⅛	6.80
GENERAL ELECTRIC 5 3/4 93	35000	98⅛	98⅝	+⅛	6.96
INTER AMER DEV 7 1/4 00	30000	103½	103⅞	+⅛	6.70
KANSAI ELEC PWR 4 5/8 94	60000	94½	94⅞	+⅛	6.89
NIPPON TEL & TEL 5 7/8 96	50000	96⅛	96½	+⅛	6.79
NORWAY 5 1/8 95	50000	94⅛	95		6.78
SNCF 6 3/4 00	30000	100½	100⅞	+⅛	6.66
SWEDEN 5 5/8 95	20000	95⅞	96½	+⅛	6.80
WORLD BANK 6 3/4 00	50000	100⅝	100⅞	+⅛	6.64

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.41
KREDIETCORP 7 93 LFr	1000	95½	96½		9.57
WORLD BANK 8 96 LFr	1000	95		-1⅛	9.34
RABOBANK 5 3/4 93 Fl	150	94⅛	95⅛		9.56
UNILEVER 9 00 Fl	500	102⅛	102½	+⅛	8.64
BCE INC 9 5/8 93 C$	300	99⅛	99⅝	+⅛	9.98
BELL CANADA 10 5/8 99 C$	150	99⅞	100⅛	+⅛	10.64
BRITISH COLUMBIA 9 1/4 93 C$	150	99⅞	99⅞	+⅛	9.62
EIB 10 1/8 98 C$	130	99⅛	100⅛	-⅛	10.29
ELEC DE FRANCE 9 3/4 99 C$	275	96⅛	97⅛	+⅛	10.36
FORD CREDIT CANADA 10 94 C$	100	98⅛	99⅛	+⅛	10.55
GENERAL ELECT CAP 10 1/4 93 C$	175	100⅞	101⅛	+⅛	9.75
ONTARIO HYDRO 10 7/8 99 C$	500	101⅛	101½	+⅛	10.60
OSTER KONTROLLBANK 10 1/4 99 C$	150	99⅞	100⅛	+⅛	10.27
QUEBEC PROV 10 1/2 98 C$	200	99⅛	99⅝	+⅛	10.66
ROYAL TRUSTCO 10 1/4 93 C$	100	99½	100⅛	+⅛	10.52
SWEDEN 9 3/4 93 C$	250	100⅝	100⅞		9.45
BELGIUM 9 1/8 96 Ecu	1250	99⅝	99⅞	+⅛	9.20
CNT 7 3/8 93 Ecu	250	95½	96⅝	+⅛	10.09
CREDIT LYONNAIS 9 96 Ecu	125	95⅞	97⅞	-1⅛	10.15
DENMARK 7 5/8 96 Ecu	250	91⅛	92⅛	-⅛	10.06
EEC 7 5/8 94 Ecu	200	96⅛	96⅝	+⅛	9.36
EIB 10 97 Ecu	1125	103⅞	104⅛	+⅛	9.05
ITALY 10 3/4 00 Ecu	1000	108⅛	108⅝	+⅛	9.33
UNITED KINGDOM 9 1/8 01 Ecu	2750	99⅛	99⅞	+⅛	9.13
BP AMERICA 12 1/4 96 A$	100	102⅝	103⅛	+⅛	11.44
COMM BK AUSTRALIA 13 3/4 99 A$	100	108⅛	109⅛		11.99
COUNCIL EUROPE 13 93 A$	50	100½	101½	-⅜	12.49
EKSPORTFINANS 12 3/8 95 A$	75	102⅞	103⅛	+⅛	11.41
FORD CRED AUST 13 93 A$	50	100	101	-⅜	12.86
MCDONALDS CANADA 15 95 A$	100	108⅝	109⅛	-⅛	12.07
NAT AUSTRALIA BANK 14 3/4 94 A$	150	106	106½	+⅛	11.76
STATE BK NSW 14 1/4 99 A$	100	109	109⅝		12.41
VOLKSWAGEN INTL 15 94 A$	100	106⅝	107⅛	-⅛	11.91
ABBEY NATL TREAS 13 3/8 95 £	100	106⅝	107		10.96
BARCLAYS JERSEY 9 1/2 93 £	250	97⅞	98⅛		10.98
BRITISH GAS 12 3/4 95 £	300	105⅛	105⅝		10.78
DEUTSCHE BK FIN 11 94 £	225	100⅞	101⅛		10.51
EIB 10 97 £	386.5	97⅝	97⅞		10.56
FORD CREDIT FUNDING 9 5/8 93 £	50	96¼	97½	-⅛	11.78
INTER AMER DEV 11 3/8 95 £	75	102⅞	102⅞		10.56
ITALY 10 1/2 14 £	400	96	96¼	+⅛	10.97
LAND SECS 9 1/2 07 £	200	83⅛	83⅝		11.89
LEEDS PERMANENT 9 1/4 93 £	50	96⅞	97½	-⅛	11.21
NORWAY 10 1/2 94 £	200	99⅞	100⅛		10.50
ROLLS-ROYCE 9 5/8 93 £	150	97	97½		11.44
SAINSBURY 10 7/8 93 £	100	99⅞	100⅛		11.06
SKANDINAVISKA ENSK 13 1/8 95 £	100	105⅝	106⅛	+⅜	11.07
WORLD BANK 11 1/4 95 £	100	102	102½		10.55
ABBEY NATIONAL 0 96 NZ$	100	58⅛	59⅛	+⅛	10.86
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	104⅛	105⅛		10.81
AIDC 7 7/8 93 FFr	600	96⅛	96½	+⅛	9.94
CREDIT LYONNAIS 10 95 FFr	3200	101⅛	101½	-⅛	9.62
EURATOM 7 5/8 98 FFr	500	92⅛	92⅝	+⅛	9.19

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	100.08	100.18	6.5156
ALLIANCE & LEICS 0.08 94 £	300	99.49	99.59	11.2050
BANCO ROMA 0.03 01	200	92.00	93.00	6.4675
BANCO SANTO SPIRITO 93	200	99.53	99.66	6.5000
BELGIUM 1/16 97 DM	500	99.99	100.10	9.1250
BFCE -0.02 96	350	100.01	100.11	6.1050
BNP 05	300	95.88	96.88	6.3125
BRITANNIA 1/10 96 £	150	99.09	99.30	11.2250
CCCE 06 ECU	200	99.97	100.07	9.5938
CITIZENS FED 0.15 96	100	99.35	99.80	7.0250
COMMERZBK O/S FIN 93	200	100.05	100.15	6.5625
DENMARK -1/8 96	1000	99.64	99.74	6.5938
DRESDNER FINANCE 1/32 98 DM	1000	99.96	100.05	9.2813
ELEC DE FRANCE 1/8 99	400	100.45	100.75	7.0000
FERRO DEL STAT 94	200	100.45	100.70	6.8750
HALIFAX 1/10 94 £	200	99.80	99.90	11.7250
ITALY 00	500	100.81	100.91	6.3750
MITSUI FIN ASIA 1/8 96	100	99.55	99.65	7.0000
MORGAN (JP) 1/4 97	250	98.50	99.25	6.2500
NAT WEST FIN 3/16 05	400	92.00	93.50	6.5000
NEW ZEALAND 93	500	99.89	99.99	6.5000
QUEBEC PROV 01	300	96.65	96.90	6.1250
RENFE 98	500	99.93	100.03	6.0625
SOCIETE GENERALE 96	300	99.27	99.37	6.3125
STATE BK VICTORIA 0.05 99	125	98.43	98.68	6.4875
UNITED KINGDOM -1/8 96	4000	100.00	100.03	5.9375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.86	116⅛	117⅛	+8.06
ASDA-MFI 4 3/4 02 £	100	1.64	117⅛	118⅛	
BURTON GROUP 4 3/4 01 £	110	3.15	117⅛	119⅛	
EASTMAN KODAK 6 3/8 01	300	50.67	95⅞	96⅞	+19.58
GOLD KALGOORLIE 7 1/2 00	65	1.0654	71	72	+43.88
GOODYEAR TIRE 6 7/8 03	150	80⅛	78⅛	79⅛	+64.99
GRACE (WR) 6 1/4 02	150	42⅛	98⅞	99⅞	+9.61
HANSON 9 1/2 06 £	500	2.5875	98⅛	99⅛	+22.38
HAWLEY 6 02 PREF	400	19.1	75	80	
HILLSDOWN 4 1/2 02 £	150	4.16	111⅞	113⅛	
INTL PAPER 5 3/4 02	200	68½	104	105	+4.38
LAND SECS 6 3/4 02 £	84	6.72	85½	86½	+13.33
MITSUBISHI BK 1 3/4 02	300	2727.1	107	109	+1.70
OGDEN 6 02	85	39.077	69⅛	70⅛	+39.42
PACIFIC DUNLOP 6 3/4 97	75	3.749	107⅛	108⅛	+0.25
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	83⅞	84⅞	
THORN EMI 5 3/4 04 £	103	7.45	115⅞	116⅞	+12.40

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price: the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.62	18.44	20.71
0100	15.60	18.06	20.33
0130	15.48	17.69	19.95
0200	15.48	17.69	19.95
0230	15.48	17.69	19.95
0300	15.48	17.69	19.95
0330	15.48	17.69	19.95
0400	15.48	17.69	19.95
0430	15.49	17.69	19.95
0500	15.48	17.69	19.95
0530	15.49	15.84	15.84
0600	15.50	15.84	15.84
0630	15.62	15.80	15.80
0700	17.47	16.24	16.24
0730	17.88	18.62	20.79
0800	17.88	18.89	21.16
0830	18.73	18.88	21.16
0900	18.75	20.92	23.23
0930	21.19	20.94	23.24
1000	21.19	20.95	23.25
1030	21.19	20.95	23.26
1100	21.19	20.96	23.27
1130	21.19	21.01	23.33
1200	21.19	21.09	23.43
1230	26.12	26.88	29.34
1300	26.12	26.84	29.29
1330	21.19	20.96	23.26
1400	21.92	20.93	23.24
1430	21.19	20.92	23.22
1500	21.19	20.92	23.22
1530	33.29	20.92	23.22
1600	33.29	20.93	23.24
1630	33.29	20.96	23.28
1700	21.27	20.97	23.29
1730	21.27	20.95	23.27
1800	21.27	20.92	23.24
1830	21.80	18.88	21.16
1900	21.92	18.89	21.16
1930	21.92	18.61	20.89
2000	16.33	18.61	20.89
2030	21.92	18.61	20.89
2100	21.32	18.61	20.89
2130	21.32	18.61	20.89
2200	21.32	18.61	20.88
2230	21.32	20.17	22.48
2300	19.37	18.61	20.87
2330	17.47	20.56	22.82
2400	15.83	20.56	22.82

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

INTERNATIONAL CAPITAL MARKETS

Sultanate of Oman taps the market for $300m

By Sara Webb

THE Sultanate of Oman is borrowing $300m in the syndicated loans market through Bankers Trust and J. P. Morgan, the bank which recently arranged a huge syndicated loan for Saudi Arabia.

J. P. Morgan and Bankers Trust have won a joint mandate to arrange the five-year syndicated loan against tough competition, at a time when some bankers are nervous about lending to the Middle East so soon after the Gulf war.

The Sultanate of Oman last tapped the international credit market in 1989, when Chase Investment Bank and Gulf International Bank were co-arrangers for a $500m eight-year loan.

The latest deal for Oman is believed to be priced at a margin of between 50-60 basis points over the London interbank offered rate (Libor), the floating benchmark used in the international borrowing market. Neither J. P. Morgan nor Bankers Trust would comment yesterday.

J. P. Morgan recently arranged a $4.5bn three-year syndicated loan for Saudi Arabia at a margin of ⅜ point over Libor, and many bankers expect Kuwait to tap the international loans market soon to help cover the cost of reconstruction.

Bankers expect the Oman deal to be well received, particularly if some of the Japanese banks participate.

One Japanese banker said he believed Japanese banks would prefer to lend to Oman than to Kuwait unless the Kuwaitis decide to borrow against some of their assets.

However, the Middle East remains a difficult area for which to raise funds, given the political uncertainty following the Gulf war and the recent scandal surrounding the Bank of Credit and Commerce International (BCCI), the Abu Dhabi-controlled bank.

Chase Investment Bank, which launched a $110m loan facility for Aluminium Bahrain in June, is facing difficulty in raising the money which is intended to help with the upgrading of plant.

Frankfurt SE orders new trading system

By Katharine Campbell in Frankfurt

THE FRANKFURT stock exchange has commissioned McKinsey, the international management consultants, to design a more advanced electronic trading system (EHS).

McKinsey, which will deliver its design by the end of this year, will look at systems already in place abroad including the CAC system in Paris and Seaq in London. The new system will take about two and a half years to build.

The eight regional stock exchanges are locked in a political battle over the future shape of the German stock exchange landscape. At issue are the degree of computerisation, centralisation, and the role of official brokers.

EHS, a Frankfurt project largely catering for the wishes of the big bank members of that exchange, will be based on the current auction system. It remains highly controversial since the regional exchanges see it as a threat to their existence.

Since April, a primitive computerised trading system, Ibis II, has been operating for 30 blue chip stocks and certain fixed income securities.

Liffe set for options trading on screen

By Tracy Corrigan

THE board of the London International Financial Futures Exchange (Liffe) cemented its plans to develop screen trading of options, after its merger with the London Traded Options Market (LTOM), at a meeting on Wednesday.

The issue was further discussed at a meeting with LTOM officials at the Bank of England yesterday.

The Liffe board decided to instigate the development of an automated trading system for stock options, currently traded on LTOM, to be implemented if the trading volume of stock options fails to pick up substantially after the merger of the two exchanges to form the London Derivatives Exchange. Liffe will be putting up the capital required to develop the system.

Earlier recommendations to move to screen trading of individual stock options, in an effort to improve the market's poor liquidity, met strong resistance from some sources.

Mr David Burton, Liffe chief executive, said he is working for "a compromise between those who want to move trading on to screens (the larger LTOM members) and those who wish to continue with floor trading (independent members)". Strong vested interest in these two camps could jeopardise the merger if discontent spreads, according to some bankers.

The compromise involves "allowing the market to decide", he said. A decision does not need to be taken for about a year, he added. It is possible that volume will pick up substantially, vindicating the continuation of floor trading for all options. Some traders believe that the merger with Liffe could spark this sort of regeneration of the market. But if volumes fail to pick up, the move to screen trading could become a necessity.

Mr Burton believes that the actual outcome is likely to be "somewhere in between" these extremes.

The system will be developed in three stages. Firstly, as a simple automated trading system shared by all members; then as a system which can be used by members individually; and thirdly, early next year, as a fully automated system which can carry out a range of functions.

US group to launch Spanish trust in UK

By Sara Webb

ALLIANCE Capital Management, one of the leading US fund management groups, is planning to launch a Spanish smaller companies investment trust on the London Stock Exchange.

The closed-end fund will invest in listed Spanish companies which have a market capitalisation of Pta20,000m (about US$200m) or less and where the free float of shares – in other words, those which are actively traded – amount to Pta10,000m or below.

The fund is expected to be between $45m to $60m in size with the shares issued at around $60. It will be managed from Luxembourg and will be wound up after 10 years.

An application has been made for a listing on the London Stock Exchange, and the fund may be quoted in Madrid at a later stage.

Daiwa Europe, the international arm of the Japanese securities house, and Banco Bilbao Vizcaya (BBV), the Spanish bank, are jointly responsible for allocating the shares to international investors. Daiwa said the fund was being launched because "there are many small companies in Spain with a very high growth potential".

Alliance Capital Management already manages the Spain Fund, a US mutual fund listed in New York which invests in Spanish companies.

Argentina back with $100m bond

By Cristina Bonasegna in Buenos Aires

ARGENTINA is planning to return to the international capital markets, after a nine-year absence, with a $100m Eurobond issue via J. P. Morgan.

The Argentine authorities regard the notes as a "test case" to measure international interest in the country's debt.

The bonds, issued by the Argentine Treasury, will have a life of two years, with a put option after one year, and will pay a coupon of 11 per cent.

Treasuries mixed in front of sale

By Patrick Harverson in New York and Sara Webb in London

US government bonds were mixed in light trading yesterday morning as the market prepared itself for the afternoon sale of 10-year securities.

By midday the benchmark 30-year Treasury issue was down $\frac{1}{16}$ at 99$\frac{3}{16}$, yielding 8.179 per cent. In contrast, the two-year note was up $\frac{1}{16}$ at 100$\frac{13}{32}$, yielding 6.532 per cent.

GOVERNMENT BONDS

The excitement after Tuesday's unexpected easing of monetary policy by the Federal Reserve had dissipated by the start of trading. Attention switched to the sale of $12bn of 10-year notes, the latest part of the Treasury's huge quarterly refunding programme.

Dealers were concerned that retail investor demand for government stock may have been satisfied during the recent bond market rally.

The rise in the yield on the when-issued 10-year notes yesterday to 7.946 per cent was a possible indication that demand for the paper might not match supply during the auction.

The Fed executed overnight system repurchase agreements for the second day running, emphasising the fact that it wants a lower Fed funds rate. After the intervention Fed funds eased to their new target level of 5½ per cent.

■ GERMAN government bonds slipped yesterday as the Bundesbank indicated a tightening in monetary policy, fuelling speculation that interest rates will be raised after next week's Bundesbank council meeting.

The central bank's decision to drain liquidity at its weekly securities repurchase tender yesterday, and to allocate most of the repurchase funds at a higher rate of 8.9 per cent was taken as a clear signal by the market that the Bundesbank intends to tighten monetary policy. Last week, the Bundesbank allocated repurchase funds at 8.8 per cent and 8.85 per cent.

Bunds rose early in the day, following Tuesday's rally in the US Treasury bond market, but fell back later. The Liffe bund futures contract opened at 84.47 and closed at 84.37.

■ UK government bonds rose following the US Federal Reserve's easing, but then fell back on profit-taking and concern over sterling's weakness in the foreign exchange markets yesterday.

Investors have been switching out of gilts into the German and French government bond markets, as many believe the rally – which has lasted since the start of July – may run out of steam soon.

The benchmark 11¾ per cent gilt due 2003/07 opened at 111$\frac{17}{32}$ and traded to 111$\frac{23}{32}$ by late afternoon.

■ TUESDAY'S easing of monetary policy by the US Federal Reserve led to a rally in Japanese government bonds outside hours, although the market closed lower in Tokyo yesterday on profit-taking.

The No 129 benchmark JGB rallied to yield 6.48 per cent outside Japan due to retail buying in London.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	108.9160	+0.318	10.86	11.00	11.04
BELGIUM		10.000	08/00	103.6000	+0.300	9.39	9.54	9.84
CANADA *		9.750	06/01	99.9250	-0.025	9.76	9.83	10.04
DENMARK		9.000	11/00	97.8750	+0.350	9.34	9.46	9.85
FRANCE	BTAN	9.000	02/96	98.7733	+0.142	9.31	9.41	9.33
	OAT	9.500	01/01	102.3100	+0.240	9.10	9.24	9.19
GERMANY		8.375	05/01	98.7100	+0.080	8.57	8.68	8.67
ITALY		12.500	03/01	97.3100	+0.080	13.42	13.50	13.85
JAPAN	No 119	4.800	06/99	89.3898	+0.002	6.68	6.95	7.22
	No 129	6.400	03/00	99.3651	+0.137	6.51	6.58	6.79
NETHERLANDS		8.500	03/01	97.8800	+0.090	8.83	8.89	8.82
SPAIN		11.900	07/96	99.8000	+0.100	11.93	12.17	11.82
UK GILTS		10.000	11/96	99-20	+04/32	10.09	10.28	10.26
		10.000	02/01	99-31	+08/32	10.01	10.16	10.20
		9.000	10/08	93-16	+08/32	9.78	9.93	10.02
US TREASURY *		8.000	05/01	100.08	+01/32	7.97	8.18	8.34
		8.125	05/21	99-08	+04/32	8.19	8.36	8.51

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Four issues dominate activity

By Tracy Corrigan

TWO sterling offerings and two Ecu bond issues dominated activity in the Eurobond market yesterday.

The two sterling deals were considered attractively priced, and benefited from bullish sentiment on sterling bonds, while the Ecu deals, aggressively priced in a more difficult sector, fared less well.

3I Group, the UK venture capital group, returned to the Eurobond market after three years with a £100m offering via S. G. Warburg. The five-year deal was considered generously priced, offering a coupon of 11¼ per cent to yield 90 basis points above the five-year gilt. The company's recent downgrade (from double-A3 to A1 by Moody's) was felt to necessitate a relatively generous pricing. In the event, the deal met strong demand, and some dealers said the issue could have been sold at a tighter spread. The issue was bid at par, just above its fixed reoffer price.

Most of the buyers were UK institutions familiar with the credit, while continental investors, whose buying spree has been largely responsible for the tightening of yield spreads in the sector, were keen buyers of the other sterling issue yesterday by the financing arm of the German agency, Kreditanstalt für Wiederaufbau.

The £150m deal's 10-year maturity proved attractive, as the long-end of the market stands to benefit most from any lowering of yields.

Meanwhile, in the Ecu sector, two car companies launched high-yielding deals designed to attract continental European retail investors. However, some dealers said that retail demand for Ecu paper is selective, and were not convinced the deals were priced generously enough to attract this group of investors.

An Ecu150m three-year deal for General Motors via J. P. Morgan was considered aggressively but not unfairly priced to yield 9.92 per cent at the fixed reoffer level. But a two-year deal for Volvo was considered far too tight by most dealers. The unrated borrower's 10¼ per cent bonds yield 9.73 per cent at the fixed reoffer level.

Both deals were held in syndicate overnight. Some dealers say these short-dated deals are unappealing, because if German rates are hiked, the Ecu yield curve is likely to become more inverted.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Credit Lyonnais(c)†	250	8¾	102.20	1998	1⅞	Credit Lyonnais
Daicel Chemical Ind.(a)♦	200	4⅝	100	1995	2¼/1½	Nomura Int.
Crown Resources(b)§	15	(5½-6)	100	2001	2½/1½	CSFB
ECUs						
General Motors Corp(a)†	150	10	101.325	1994	1⅜/1.225	JP Morgan Secs.
Volvo Gp.Fin.Europe(a)†	75	10⅛	101⅝	1993	1⅛/1	Sumitomo Finance Int.
STERLING						
KFW Int.Fin.(a)†	150	10⅝	101.57	2001	2/1.6	JP Morgan Secs.
3I Group(a)†	100	11¼	101.505	1996	1⅞/1.525	SG Warburg Secs.

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Callable in 3rd year at 103% declining by 1% annually. Coupon payable semi-annually. c) Fungible with existing $300m deal launched May. Non-callable.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Aug 7 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Aug 6 Index No.	Mon Aug 5 Index No.	Fri Aug 2 Index No	Year ago (approx) Index No.
1 CAPITAL GOODS (184)	832.20	+0.7	10.18	5.81	12.15	22.56	826.73	834.57	839.88	812.38
2 Building Materials (24)	1051.47	+0.6	8.75	5.93	14.51	30.76	1044.95	1059.29	1070.80	1044.30
3 Contracting, Construction (31)	1136.35	+0.4	9.68	6.87	13.65	32.68	1131.51	1144.79	1158.05	1368.87
4 Electricals (11)	2434.75	+1.0	10.52	5.47	12.09	61.85	2410.52	2431.83	2460.03	2192.69
5 Electronics (25)	1735.09	+0.8	8.68	5.19	15.33	46.89	1721.47	1727.95	1730.71	1658.91
6 Engineering-Aerospace (8)	417.83	+0.3	16.36	6.00	7.34	12.11	416.53	423.71	426.67	444.03
7 Engineering-General (45)	455.91	-0.1	11.74	5.64	10.45	11.82	456.57	458.74	459.10	457.96
8 Metals and Metal Forming (8)	434.07	+1.3	16.25	8.14	7.56	16.93	428.48	432.68	435.21	448.51
9 Motors (12)	326.68	+1.8	10.39	7.36	11.78	10.28	320.84	320.60	323.30	321.62
10 Other Industrial Materials (20)	1611.96	+0.7	8.65	4.99	13.59	36.42	1600.98	1617.58	1625.46	1441.56
21 CONSUMER GROUP (187)	1520.69	+0.9	7.63	3.59	16.16	25.63	1507.43	1514.31	1524.00	1241.58
22 Brewers and Distillers (22)	1853.77	+0.5	8.30	3.58	14.68	34.70	1845.45	1843.84	1846.44	1550.60
25 Food Manufacturing (19)	1203.68	+0.4	9.54	4.11	12.95	24.43	1196.90	1204.28	1213.06	1042.19
26 Food Retailing (17)	2716.06	......	7.92	3.07	16.51	39.61	2714.51	2727.88	2772.37	2449.58
27 Health and Household (22)	3619.10	+1.4	5.35	2.39	21.28	30.93	3568.20	3590.46	3617.37	2460.31
29 Hotels and Leisure (23)	1303.37	+1.5	9.18	5.29	13.15	32.35	1284.63	1289.91	1294.43	1335.73
30 Media (26)	1442.56	+1.2	8.13	4.92	15.96	38.26	1425.81	1438.79	1441.74	0.00
31 Packaging, Paper & Printing (17)	744.21	-0.2	7.56	4.43	15.97	15.15	745.53	749.11	747.29	552.29
34 Stores (32)	974.91	+1.4	7.86	3.81	16.61	17.06	961.73	967.47	975.14	784.51
35 Textiles (9)	593.68	+0.5	8.46	5.22	14.68	13.79	590.55	594.27	600.52	472.00
40 OTHER GROUPS (109)	1264.93	+0.9	9.76	5.09	12.77	29.31	1253.80	1258.63	1266.91	1082.97
41 Business Services (12)	1350.13	+0.8	7.99	4.83	15.48	29.77	1338.81	1352.63	1354.12	0.00
42 Chemicals (21)	1442.81	+0.8	7.11	5.00	17.36	33.03	1431.86	1435.47	1445.90	1142.63
43 Conglomerates (10)	1447.83	+1.0	10.28	7.29	11.74	35.14	1434.17	1445.99	1467.92	1502.31
44 Transport (13)	2279.49	+1.5	8.28	4.67	14.96	50.50	2245.20	2255.70	2268.69	2125.55
45 Electricity (16)	1217.70	+1.0	14.35	5.34	8.90	18.41	1205.87	1214.49	1216.56	0.00
46 Telephone Networks (4)	1530.24	+0.8	9.69	3.98	13.50	28.31	1518.28	1514.02	1522.17	1150.12
47 Water (10)	2357.57	+1.2	17.33	6.53	6.39	118.37	2329.08	2340.11	2342.63	1981.50
48 Miscellaneous (23)	1991.40	+0.5	6.10	4.85	21.25	47.89	1981.01	1997.41	2016.74	1606.00
49 INDUSTRIAL GROUP (480)	1271.31	+0.8	8.81	4.50	14.06	26.53	1260.71	1267.35	1275.53	1094.77
51 Oil & Gas (20)	2465.07	+0.6	11.00	5.55	11.96	67.26	2443.80	2458.71	2476.07	2511.55
59 500 SHARE INDEX (500)	1372.72	+0.8	9.09	4.64	13.75	29.82	1361.66	1368.55	1377.18	1210.76
61 FINANCIAL GROUP (92)	826.72	+1.0	......	5.66	......	21.65	818.20	819.79	819.34	744.79
62 Banks (9)	964.43	+1.4	5.14	5.99	31.23	24.83	950.76	949.86	941.89	793.16
65 Insurance (Life) (7)	1567.44	+0.6	......	5.28	......	41.64	1558.54	1566.81	1570.43	1361.87
66 Insurance (Composite) (6)	676.96	+1.3	......	6.47	......	20.23	667.99	671.73	680.76	621.53
67 Insurance (Brokers) (9)	1159.86	+0.2	6.78	5.82	19.14	30.61	1145.67	1147.29	1158.24	908.23
68 Merchant Banks (7)	446.35	+0.3	......	4.70	......	11.00	444.95	442.76	439.92	397.76
69 Property (36)	919.63	-0.2	6.06	5.06	23.46	19.84	917.59	921.84	922.54	1038.06
70 Other Financial (18)	251.79	+0.6	11.40	7.19	10.99	7.99	250.18	251.42	251.85	274.17
71 Investment Trusts (69)	1219.80	+0.8	......	3.51	......	20.95	1210.07	1218.60	1226.45	1124.88
99 ALL-SHARE INDEX (661)	1239.67	+0.8	......	4.74	......	27.55	1229.31	1235.08	1241.97	1098.18

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Aug 6	Aug 5	Aug 2	Jul 31	Jul 31	Year ago
FT-SE 100 SHARE INDEX ‡	2597.4	+24.1	2598.0	2584.8	2573.3	2585.4	2601.7	2591.7	2568.5	2237.5

FIXED INTEREST

PRICE INDICES	Wed Aug 7	Day's change %	Tue Aug 6	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (28)	121.59	+0.08	121.49	1.99	7.13
2 5-15 years (27)	132.44	+0.19	132.18	1.82	8.58
3 Over 15 years (4)	141.32	+0.22	141.02	2.94	6.83
4 Irredeemables (6)	155.28	+0.07	155.17	2.73	7.34
5 All stocks (70)	131.39	+0.16	131.19	2.01	8.02
Index-Linked					
6 Up to 5 years (1)	160.50	......	160.50	0.79	2.72
7 Over 5 years (10)	145.44	+0.08	145.32	0.66	2.76
8 All stocks (11)	146.44	+0.08	146.32	0.67	2.76
9 Debs & Loans (56)	111.20	-0.17	111.39	2.76	5.89

AVERAGE GROSS REDEMPTION YIELDS		Wed Aug 7	Tue Aug 6	Year ago (approx.)
British Government				
1 Low	5 years	8.89	8.95	11.16
2 Coupons	15 years	9.71	9.71	11.16
3 (0%-7¾%)	20 years	9.71	9.71	11.16
4 Medium	5 years	10.06	10.09	12.18
5 Coupons	15 years	9.89	9.92	11.70
6 (8%-10¾%)	20 years	9.84	9.87	11.56
7 High	5 years	10.32	10.37	12.51
8 Coupons	15 years	10.00	10.03	11.97
9 (11%-)	20 years	9.91	9.93	11.85
10 Irredeemables		9.91	9.93	11.52
Index-Linked				
11 Inflation rate 5%	Up to 5 yrs	4.44	4.43	4.84
12 Inflation rate 5%	Over 5 yrs	4.34	4.38	4.26
13 Inflation rate 10%	Up to 5 yrs	3.52	3.51	3.76
14 Inflation rate 10%	Over 5 yrs	4.19	4.20	4.08
15 Debs &	5 years	11.74	11.74	13.82
16 Loans	15 years	11.51	11.48	12.79
17	25 years	11.51	11.48	12.60

‡Opening index 2584.9; 9 am 2587.7; 10 am 2594.4; 11 am 2593.8; Noon 2591.1; 1 pm 2594.0; 2 pm 2595.0; 2.30 pm 2597.0; 3 pm 2598.0; 3.30 pm 2596.9; 4 pm 2597.4. [illegible] FT-ACTUARIES INDICES SERVICE [illegible] Financial Times, Number One, Southwark Bridge, London SE1 9HL. [illegible] CONSTITUENT CHANGES: ADDITION: [illegible] DELETION: Paribas Concorde Trust 9 3/4% Debenture 1991

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	66	9	8
Corporations, Dominion and Foreign Bonds	5	0	15
Industrials	330	149	1,029
Financial and Properties	168	60	510
Oils	25	15	48
Plantations	0	0	10
Mines	42	20	96
Others	76	28	66
Totals	712	281	1,782

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
[illegible]							
100	F.P.	-	102	96½	EE Finance 8¾pc Gtd. Exch. Bds. 2006	100	+¼
Ir110p	F.P.	-	128p	108p	Fyffes 8.25p (Net) Cnv Cm Prf Ir£1	128p	
100p	F.P.	-	105¼p	104¼p	Gartmore Scotland Zero Div Prf.	105¼p	+½
100p	F.P.	-	106p	102½p	Kleinwort High Income Zero Div Prf	105p	-¼
102½p	F.P.	-	105¼p	103p	Murray Split Cap Tst Zero Div Prf 10p	105¼p	+¼
100p	F.P.	-	104½p	97½p	Queens Moat Houses 7½pc Cv Rd Pf	99p	
100	F.P.	-	103¼	96½	RMC Capital 8¾pc Cnv. Bds. 2006	102	+¼
100	F.P.	-	103½	96¼	Tarmac 9½pc Cnv. Cap. Bds. 2006	98½	+¼

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
145	Nil	-	53pm	18pm	Airsprung Furniture 10p	42pm	-1
88	Nil	-	1½pm	1½pm	♦Alan Paul 5p	1½pm	
30	Nil	-	6½pm	¼pm	Burton Group 10p	1¼pm	+1
200	Nil	-	7pm	1¼pm	City of Oxford Units	1¼pm	
60	Nil	-	7pm	¼pm	Dean & Bowes 5p	¼pm	
30	Nil	-	¼pm	¼pm	Eng. & O'seas Props 10p	¼pm	
14	Nil	-	¾pm	¼pm	♦Explaura L/V 5p	½pm	
25	Nil	-	7pm	2pm	Hemingway Props	2pm	
75	Nil	-	1¼pm	1¼pm	Hewetson 10p	1¼pm	
35	Nil	-	12pm	7pm	Howden Group	11½pm	
87	Nil	-	18pm	10pm	JLI Group 20p	15½pm	-1
25	Nil	-	¼pm	¼pm	Mountleigh Group	¼pm	
47	Nil	-	2pm	½pm	Scottish Value Tst.	½pm	
190	Nil	-	34pm	11pm	Trafalgar House £ 20p	13pm	+1
25	Nil	-	4½pm	1½pm	Whessoe	1½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. o Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. ¤ Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Aug. 5
- Last Dealings Aug 16
- Last Declarations Nov 7
- For settlement Nov. 18

For rate indications see end of London Share Service

Calls: Astec (BSR), Burton, European Leisure, Ferranti, Medeva, Ossory Ests., Pilkington, Ratners. Puts: Brown & Jackson, Brent Chemicals. Calls & Puts: Brown & Jackson, TVS.

LONDON TRADED OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Alld Lyons (*581)	550	51½	64	78	8	15½	20½
	600	21½	35	50½	29	37	42
	650	7	17	-	67½	70	-
ASDA	80	10	13½	14½	2½	4	5½
Unilever (*770)	750	47½	65½	80½	14	20½	27
	800	18½	37½	51½	37½	43½	49½
Ultramar (*277)	260	22½	31	35½	5½	9½	12½
	280	11¼	20	23½	14	17½	20½
[illegible]							
Land Secur (*510)	500	27	35½	45½	9	17	19
	550	5½	13½	24	41½	42½	46½
M & S (*278)	260	25	31½	39½	2¼	5½	7
	280	12½	19¼	27½	9½	12½	14½
Sainsbury (*374)	360	-	-	45	-	-	12½
	386	11½	21½	-	18	22	-
Shell Trans. (*529)	500	40½	49½	52½	7	10½	16
	550	8½	20½	25½	32½	35½	42½
Storehouse (*110)	100	13½	17	17½	1½	4¼	6
	110	8	10	13½	6	8½	10½
	120	2½	5½	9	12	15	16½
Trafalgar (*214)	211	15	22	-	8	16½	-
	220	-	-	22	-	-	26
Utd. Biscuits (*389)	360	37	44	52	4½	7½	11½
	390	16½	26	33	15½	19	24

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Glaxo (*1291)	1250	71½	110	145	27½	47½	56½
	1300	43½	82½	117	50½	67½	76
Hawker Sidd. (*577)	550	43½	53½	66½	8½	19½	25
[illegible]							
Abbey Nat. (*304)	280	24½	34	41	2½	6	9
	300	11½	21½	23½	9½	12½	16½
Amstrad (*53)	50	5¼	7¼	10½	2	3¼	5
	60	1½	4¼	5¼	7½	10	11
Barclays (*462)	460	13½	30	41	18	22½	27½
	500	3	13½	23	48½	48½	52½
Blue Circle (*264)	260	13½	21	28	10¼	13½	16½
	280	5	12	18½	22	25½	28
British Gas (*272)	260	18	26	29½	3	5¾	9
	280	6	13½	18	11½	13¾	16½
Dixons (*246)	240	15½	25	31	7	11½	14½
	260	6	15½	21	17½	21½	24½
Eurotunnel (*448)	420	41	59	73	7½	15	21
	460	17½	34½	51	24½	32½	37½

FT-SE INDEX (*)

	2300	2350	2400	2450	2500	2550	2600	2650
CALLS								
Aug	308	259	209	160	112	70	32	11½
Sep	328	280	232	186	142	102	66½	39
Oct	340	292	247	204	163	124	92½	62½
Nov	353	308	265	223	182	147	114	85½
Dec †	365	-	279	-	202	-	134	-
Jan †	443	-	365	-	295	-	230	-
PUTS								
Aug	½	½	1	2½	5	12½	27	59½
Sep	2	3½	5	9	15	24½	42	70½
Oct	4½	6½	10½	17½	25½	38½	55½	81½
Nov	9	12	17	24½	34½	48	65½	89½
Dec †	11½	-	21½	-	41½	-	75	-
Jun †	30	-	45	-	70	-	105	-

August 7 Total Contracts 21,159. Calls 13,986 Puts 7,173. FT-SE Index Calls 2,182 Puts 2,013. Euro FT-SE Calls 528 Puts 281. *Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

UK COMPANY NEWS

Further jobs may go as GKN dives 53% to £48m

By Kevin Done, Motor Industry Correspondent

GKN, the UK automotive components, industrial services and defence group, yesterday announced a drop of 53 per cent in pre-tax profits to £47.5m for the first six months of 1991.

Sir David Lees, chairman, warned that there continued to be "no hard evidence of an improvement in current recessionary conditions in the various markets in which we operate."

He said that it was unlikely that there would be any upturn in the UK economy before the end of the year.

Prospects in the US were "possibly a little brighter", but demand in continental Europe was "rather weaker".

The company has announced some 2,600 redundancies in the last 18 months – of which close to 2,000 have been in the UK – and Sir David said that several hundred additional jobs may be cut in the second half of 1991. First half profits were hit by a £10.1m charge for redundancy and reorganisation costs.

The profit compared with £100.5m a year ago, while group turnover at £1.24bn was down by £158m. Earnings per share fell from 22.2p to 7.6p.

In spite of the steep profits fall, the interim dividend is maintained at 8p and the share price yesterday gained 11p to close at 349p.

Sir David said that GKN's response to the recession had focused on reducing its cost base and on improving cash generation.

GKN's share of profits from associated companies fell from £30.1m to £14.2m, with the biggest reduction coming from United Engineering Steels, the 39.1 per cent-owned joint venture with British Steel, where demand has continued to weaken.

Trading profits in the first half at GKN's automotive and engineered products division were almost halved to £30m (£58m).

The company has been hit by the weakness of the European commercial vehicle market, the lower level of sales of tractors and agricultural implements, and the steep fall in luxury car sales by UK car makers, most significantly Jaguar.

European commercial vehicle production was 9 per cent lower in the first half of the year from the already depressed levels of 1990. The 27 per cent fall in UK commercial vehicle production in the first six months had forced substantial restructuring measures at the company's heavy axles plant at Kirkstall, Leeds.

Sales by Venture Pressings, GKN's joint venture with Jaguar to supply body panels to the luxury car maker was running "below expectations" due to the sharp fall in Jaguar sales.

GKN said that the results of its companies supplying the European car industry continued to reflect "difficult market conditions" with overall European car production 4 per cent down in the first half.

Trevor Humphries

Sir David Lees: response to the recession had been to reduce cost base and generate cash

Japanese threaten to drop bid for Thorn unit

By Stefan Wagstyl in Tokyo and Michael Skapinker in London

HAMAMATSU Photonics, the Japanese company planning to buy the light sensing business of Thorn EMI, yesterday warned that it might withdraw following the bid's referral to the Monopolies and Mergers Commission.

Mr Teruo Hiruma, president, said he would cancel the acquisition if the MMC probe "disturbed the deal." Hamamatsu could not afford to lobby the British government or to incur huge legal expenses.

Hamamatsu is the first Japanese company to have a proposed bid referred to the MMC. Japanese groups are usually extremely sensitive about incurring attention from the authorities and avoid controversial moves for fear of prompting public criticism.

The company was surprised by the referral of the bid, which was announced on Tuesday by Mr Peter Lilley, the Trade and Industry Secretary.

Mr Lilley said the MMC would look at the bid's effect on the market for photomultiplier tubes, in which Hamamatsu is world leader. The tubes detect and measure light emissions and are used in X-ray scanners and sorting machines. They could eventually be used to detect Semtex, the explosive.

Hamamatsu estimates that it has 20 per cent of the British market for photomultiplier tubes. The acquisition could take this to 50 per cent.

Mr Hiruma told Japanese reporters that the company had been approached by Thorn EMI, which wanted to sell its photomultiplier tube business because it was lagging behind in technology.

Founded in 1953, Hamamatsu is controlled by Mr Hiruma and other directors and employees who together own about 25 per cent of the equity. Toyota Motor holds an 8.1 per cent stake.

In the year to end-September, Hamamatsu had sales of Y27bn (£116m) and profits of Y1.97bn pre-tax. Nearly 30 per cent of the output was exported.

Thorn EMI said yesterday that it was examining its options.

An attempt to persuade one of the other suppliers of the tubes to buy the business could also trigger a referral.

38% shortfall at Heywood Williams

By Andrew Taylor, Construction Correspondent

HEYWOOD WILLIAMS, the UK's largest glass distributor, blamed the deep recession in the construction industry for a 38 per cent fall in pre-tax profits, from £13m to £8m, in the six months to end-June.

Sales dipped from £166.8m to £160.5m.

Earnings per share fell from 14p to 7.7p, adjusting for the £28m rights issue in March. The interim dividend, on the enlarged capital, is again 4.5p.

Some of the rights issue cash had been used to acquire Thurgar Bardex, the Kettering-based manufacturer of windows and doors, for which Heywood last month launched a hostile £8.6m bid.

Mr Ralph Hinchcliffe, Heywood's chairman, announced yesterday that the bid had gone unconditional on Tuesday after the company had increased its stake in Thurgar to 54.54 per cent.

Thurgar last month dismissed Mr Cliff Nye, its chief executive, after the Nye family trusts had agreed to sell their 17.7 per cent stake to Heywood.

Group borrowings following the purchase of Thurgar had increased to about £13m, equivalent to less than 14 per cent of shareholders funds of £95m.

Mr Hinchcliffe said it was a good time to make acquisitions with the housing market at the bottom of a three year slump. He said: "The market will recover although it is more likely to be next year than this year."

He expected the group to make further acquisitions although it had nothing specific in mind at the moment.

The half year's profits had been further reduced by provisions for bad debts which had increased from £1.1m to £1.7m, and by a provision of more than £500,000 to cover reorganisation and rationalisation costs.

More than 300 jobs have been axed in the UK, representing about 7 per cent of the labour force.

● **COMMENT**

There will be a lot of results worse than this one when the construction industry results season gets under way in the next few weeks. Yesterday the shares remained unmoved at 265p in spite of the sharp first half profits decline. About 85 per cent of turnover is generated in the UK; of this only 13 per cent comes from outside the building industry through sales for car windows. Life, therefore, is likely to remain tough for the group for some time yet. The largest area of sales, however, is for replacement windows for homes which is likely to be one of the first sectors to come out of recession. According to Heywood it has already seen a slight pick up with sales ahead an estimated 5 per cent since February. By comparison its exposure to commercial building is low. Profits for this year may slip to about £18m, compared with £23.1m in 1990 and £31m in 1989. Worth a buy if you believe the housing market will recover by next year.

Costs of restructuring push Wickes £12.9m into the red

By Michiyo Nakamoto

WICKES, the heavily-borrowed DIY retailer and timber group, plunged into loss in the first half as recession and the high cost of restructuring its timber businesses took their toll.

In the six months to June 30 the group's pre-tax loss totalled £12.9m compared with a profit of £6.09m last time.

Turnover dropped to £259m (£338m).

However, the group, which launched a £42.6m rights issue in February, reduced borrowings by £45m since the year end to £96m. Shareholders' funds were about £40m.

The lower borrowings, which were at £151m at the time of the company's ill-timed acquisition of Hunter Timber in 1988, reduced interest charges from £11.5m to £9.75m.

The shares responded by rising 5p to 47p.

Wickes' loss was concentrated in the first quarter when it suffered a deficit of £14m as the effects of recession exacerbated what is normally a difficult period for the timber business. This was offset by a resilient performance in the second quarter when

Wickes also managed to pick up more business by gaining market share.

The group's core DIY retail business performed well throughout, said Mr Henry Sweetbaum, chairman and chief executive.

The timber businesses improved sales and margins in the second quarter after a restructuring programme was virtually completed during the first quarter,

Mr Sweetbaum warned, however, that the group did not expect to achieve a profit at the pre-tax level this year nor to propose a final dividend.

No interim dividend is declared. Losses per share were 5.8p against earnings of 2.5p.

● **COMMENT**

While the dismal first half loss itself was neither much worse nor much better than expected, the 11 per cent rise in the share price that greeted the results yesterday suggests that investors responded rather to the promise held by underlying developments.

Having pumped millions of pounds into restructuring and cut the workforce down from 4,500 to 2,500, an improvement in sales and margins at troubled Hunter and Maiden Timber, however small, raises hopes that Wickes has overcome the worst of its cyclical troubles. Add to this the fall in borrowings and the resilience of its core retail business and the prospects look brighter still.

While the company itself doesn't expect to make a profit or pay dividends this year, rising expectations that Wickes is going to be a survivor leaves considerable upward room for its share price which has come down quite substantially from more than 170p in the past year.

Resort up by 26% to £4.58m

By David Churchill, Leisure Industries Correspondent

RESORT HOTELS, the 41-strong mid-market hotel chain, yesterday defied the recession in the leisure sector with a 26 per cent rise in annual pre-tax profits from £3.62m to £4.58m.

The growth in the year to April 30 was achieved on turnover up from £10.2m to £12.2m.

Mr Robert Feld, managing director, said yesterday that the company had benefited from "trading down" by corporate customers switching from four and five-star hotels to Resort's predominantly three-star properties.

But corporate spending on hospitality and conferences remained low.

In March Resort took over the running of five Penguin Hotels, which significantly expanded the group's presence in the north of England.

The final dividend of 2.2p makes 3.4p (3.25p) for the year.

WB raises £3m as losses mount

By Peggy Hollinger

SHAREHOLDERS of WB Industries, the loss-making engineering group, will have their stakes heavily diluted as a result of a £3m placing and open offer announced yesterday.

The company said it was in breach of its borrowing powers and had launched an open offer, rather than rights issue, to get cash as quickly as possible.

Mr Somerset Gibbs, chairman, said that in view of the group's serious financial position, it would not currently be possible to underwrite in the market an equity issue at a price in excess of the offer price.

WB has also conditionally agreed the sale of properties for a total of £950,000. Mr Gibbs said that if the share offer and property sales did not go ahead "the group would be unable to continue trading".

The company is offering 6.56m new ordinary shares at 50p apiece on a 9-for-50 basis. It is placing 2.9m of those shares and has undertakings for 2.4m.

WB also announced plans to restructure its share capital. Each existing ordinary share of 10p will be converted into one of 0.1p and a deferred share of 9.9p. Every 50 ordinary shares will then be consolidated into one of 5p.

The announcement accompanied the group's 1990 results which showed a deficit of £1.59m (£889,000) after an exceptional charge of £353,000 (£75,000) due to redundancy and reorganisation payments.

Turnover rose from £5.7m to £14.2m. Losses per share were 4.36p (5.44p). The shares fell 3p on the news to close at 2p.

Extraordinary items covering provisions for property investments and closure costs amounted to £2.33m (£1.91m).

The property sales, share offer and capital restructuring are subject to a vote by shareholders at the extraordinary meeting on September 3.

NEWS DIGEST

Rotork's 16% rise bucks trend

ROTORK, the control and instrumentation group, bucked the trend in the engineering sector with a 16 per cent rise in pre-tax profits, from £3.75m to £4.35m, in the six months to June 30.

Turnover showed a slight decline from £25.6m to £25.1m following the sale of three subsidiaries at the end of 1990.

Mr Tom Eassie, chief executive, said the group's performance was largely because of its global spread of operations: "Despite our puny size, we are very international."

Strong demand from North America, Spain and the UK helped increase revenues at Rotork Actuation, by far the group's largest business and the world leader in electric actuators.

Rotork Analysis – which manufactures flue gas monitors and petroleum analysers – incurred a small loss but should break even for the year.

Earnings per share rose to 9.3p (8.2p) and the interim dividend is 4.25p (3.85p).

Interest charges push PSIT lower

Sharply increased interest charges contributed towards reduced annual profits at Property Security Investment Trust.

Taxable profits for the 12 months to March 31 fell from £6.45m to £4.73m after interest took £12.2m, up from £9.13m. Mr Albert Perry, chairman, explained that while high rates were partly responsible, the policy of writing off interest on investments had created a greater burden.

Rental income totalled £15.3m (£13.3m) while income from fixed asset investments rose to £3.41m (£2.64m). The dealing loss of £158,000 (profit of £1.1m) showed a marked improvement on the halfway stage when a loss of £887,000 was incurred.

A surplus of £1.46m from investment sales was taken as an extraordinary item.

Earnings per share dipped to 2.9p (4.91p) but the dividend is maintained at 3.75p via a same-again final of 2.25p. A 1-for-5 scrip issue is also proposed.

Difficult second quarter at Relyon

After a brighter start to the current year, Relyon, the Somerset-based bedding and cabinet furniture manufacturer, experienced "hesitant" demand in the second quarter – historically the group's most difficult trading period.

The statement accompanied figures for the six months to June 30 which showed taxable profits little changed at £1.75m (£1.73m) from turnover of £22m (£20.4m).

Earnings per share rose to 5.53p (5.11p) and the interim dividend is held at 1.75p.

Zetters shows little change at £1.13m

Zetters Group made a pre-tax profit of £1.13m in the year to March 31 1991, a small rise on the previous £1.12m.

On the pools side a healthy cash flow and high interest rates helped profitability.

The Lotto competitions had steadily declined over the years. New promotions to alleviate the loss of profit were started. Spotting-the-Ball continued to make increasing profits.

Turnover fell to £24.1m (£25.6m), after a near £1m drop on the pools side.

Earnings per share worked through at 10.5p (10.2p). The dividend is raised 1p to 8p, with a final of 6.25p.

Beales Hunter declines to £1.88m

A marginal decline, from £2.02m to £1.88m was reported by Beales Hunter in the year to end-May.

Mr David Tittle, chairman of this Nottingham-based group which has textile, refrigeration and electrical interests, said the results reflected difficult trading conditions across the group, particularly in the second half.

Turnover improved by 11 per cent, from £33.8m to £37.7m.

Earnings per share were 23p (28p). The recommended same-again final dividend of 6.95p lifts the total to 9.15p (9p).

Tomorrows Leisure ahead to £0.86m

Tomorrows Leisure made pre-tax profits of £860,000 in the year to March 31 from turnover of £4.44m.

Last year the USM-quoted group turned in £716,000, plus a £7.35m exceptional surplus on the sale of the George Washington Hotel, Tyne and Wear. Turnover was £4.88m.

Earnings were 4.7p (3.8p, or 61.5p including the exceptional). The dividend is raised to 1.25p (1p).

The group was in negotiation with the Merseyside Development Corporation with a view to the redevelopment of the Liverpool Garden Festival site.

Increased loss for Conroy Petroleum

Increased losses of I£145,000 (£132,000) were incurred by Conroy Petroleum and Natural Resources, the Dublin-based mineral and hydrocarbon exploration and development company, for the six months to February 28. Comparable losses were I£116,000.

Turnover improved from I£9,000 to I£15,000, with gross profit at I£4,000 (I£2,000).

Losses per share for this USM-quoted company came through at 0.0034p (0.0031p).

Conroy also announced it had acquired from Teredo Petroleum, through Conroy Petroleum (Northern Ireland), a 20 per cent and an 18.125 per cent interest in two UK landward exploration licences for up to £1.18m in cash and shares.

Brabant turnround to £33,000 profit

Brabant Resources turned round to a pre-tax profit of £33,000 in the first half of 1991.

That compared with a loss of £562,000, but that was largely the result of payment of royalties on Buchan Field to adjust for under payments in previous years.

Oil prices were slightly depressed below projection of an average Brent price of $21 and Claymore Field production had still not reached expected volumes.

UK COMPANY NEWS

City encouraged as StanChart limits fall to 25%

By David Lascelles, Banking Editor

STANDARD CHARTERED, the international banking group, yesterday reported a 25 per cent fall in interim profits. But analysts said the result could mask the first signs of a long-awaited recovery at the bank.

Profits before tax for the six months to June 30 were £83m, down from £110m. The interim dividend is 7p, down from 12.5p.

The stock market responded strongly to the result with Standard Chartered's shares gaining 20p to 390p. Mr Rod Barrett, banking analyst at Goldman Sachs, said he was "encouraged though not ecstatic" about the result.

One reason for encouragement was a much more modest charge for bad debts than those announced by the UK clearing banks over the past fortnight. The provision amounted to £105m, up from £89m last time. But the bulk of this related to Brent Walker, the troubled property and leisure group which is one of the 16 accounts to which Standard Chartered said it has an exposure of more than £100m.

Mr Rodney Galpin, executive chairman, said he believed the bank's tougher credit management policies were proving effective, though there were some "historical problem accounts" which still had to be worked out.

Mr Malcolm Williamson, who assumes the post of group managing director in October, said that the bank was now better equipped to spot problem loans early on, and no significant new problems had been identified since a review of the loan book was carried out a year ago.

The main contributor to profit was the Asia Pacific region with £100.3m, up from £84m. There were also useful contributions from Africa (£19.2m) and the Middle East and Asia (£18.3m).

However, the UK and Europe lost £55m because of recession and bad debts, and there were also losses in Australia (£10m) and North America (£1.4m).

Among Standard Chartered's operations, Chartered Trust, the finance house, came short of breaking even in a difficult operating climate, and Chartered WestLB, the merchant bank jointly owned with WestLB of Germany, performed well.

The group's problem country debt was 66 per cent provided, and 33 per cent in the case of countries such as Mexico and Venezuela, where the quality of the debt had been "enhanced". Provisions against South Africa stood at 5 per cent, the low figure reflecting the fact that the debt was being fully serviced.

One negative development was a sharp growth in costs. The ratio of costs to income rose from 60.8 per cent to 67.7 per cent. This was due to investment in new systems, and the high cost of recruiting qualified personnel in the Far East.

The absence of earning power in the UK meant that the group was still unable to make the full use of tax credits. Mr Richard Stein, finance director, said these could be applied to profits in later years, and meant that Standard Chartered could generate up to £400m of additional profits in the UK without incurring any extra tax.

See Lex

DIVIDENDS ANNOUNCED

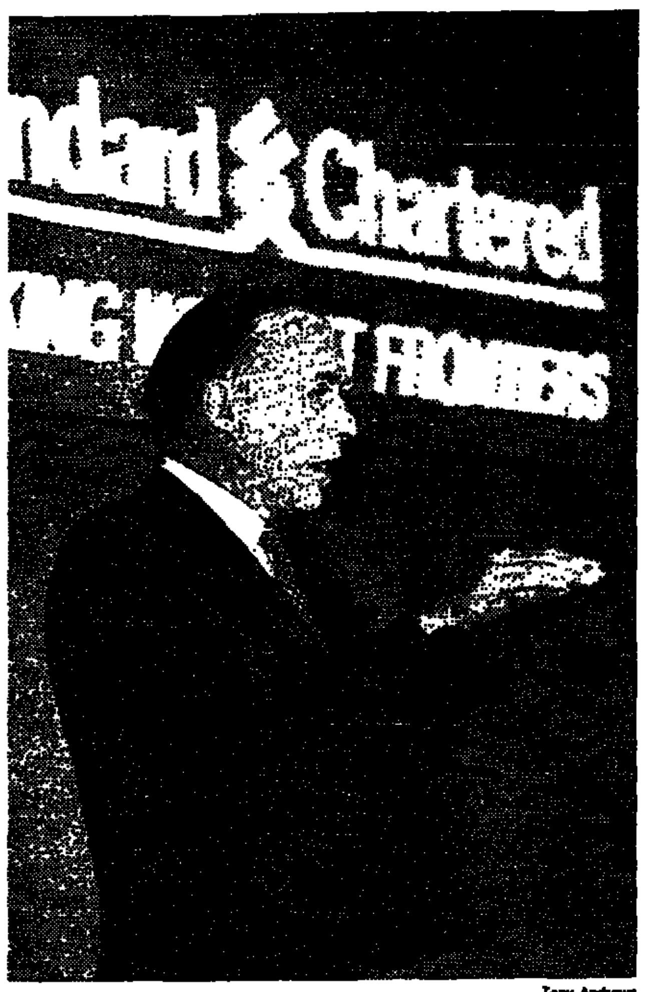
	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Beales Hunter ......fin	6.95†	-	6.95	9.15	9
Commercial Union ...int	9.25☆	Nov 15	9	-	23
GKN ......int	8☆	Nov 6	8	-	20.5
Heywood Williams ...int	4.5†	Oct 1	4.5	-	12.5
Mid Wynd Intl ......fin	3.4	Oct 16	2.9	5.7	4.6
PSIT ......fin	2.25	Oct 1	2.25	3.75	3.75
Relyon ......int	1.75	Oct 7	1.75	-	4.9
Resort Hotels ......fin	2.2†	Oct 7	2.15	3.4	3.25
Rotork ......int	4.25	Oct 25	3.85	-	9
Simon Eng ......int	5☆	Jan 2	5	-	15.7
StanChart ......int	7☆	Oct 31	12.5	-	20
Tomorrows Leis § ....fin	1.25	Oct 3	1	1.25	1
Wickes ......int	nil	-	1	-	1
Zetters ......fin	6.25	Oct 4	5.25	8	7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip option.

PUBLIC WORKS LOAN BOARD RATES
Effective August 7

Years	Quota loans* EIP†	A††	at maturity§
1			10¾
Over 1 up to 2	10¾	10¾	10⅝
Over 2 up to 3	10⅝	10⅝	10⅝
Over 3 up to 4	10⅝	10⅝	10⅝
Over 4 up to 5	10⅝	10⅝	10¾
Over 5 up to 6	10⅝	10⅝	10¾
Over 6 up to 7	10⅝	10¾	10⅞
Over 7 up to 8	10¾	10¾	10⅞
Over 8 up to 9	10¾	10¾	11
Over 9 up to 10	10¾	10⅞	11
Over 10 up to 15	10⅞	11	11
Over 15 up to 25	11	11	11
Over 25	11	10⅞	11

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.



Tony Andrews

Rodney Galpin: believes that the bank's tougher credit management policies were proving effective

Royal Bank warns of provision and charges

ROYAL BANK of Scotland warned yesterday that trading conditions were "difficult" because of the recession and that it saw little likelihood of an upturn in the UK economy before the end of this year, writes David Lascelles.

Mr George Younger, chairman, said problems faced by a growing number of customers would inevitably lead to materially higher bad debt provisions, which would affect results for the year ending September 30.

In addition the bank would be taking a £25m charge for previously announced restructuring costs, which have been brought forward to the current financial year.

A charge of £5m would also be made to cover the bank's potential contribution to the deposit protection fund for the BCCI bail-out.

The board's current intention is to recommend a final dividend of no less than last time.

Last year, the Royal made £241m before tax, and paid a total distribution of 8.4p.

The share price fell 2p yesterday to 183p.

Mr Younger made his comments in connection with an issue of $200m (£118m) of non-cumulative dollar preference shares.

Banks see signs of a break in the clouds

David Lascelles looks at the positive aspects of the clearers' results

THE high street clearing banks all had a remarkably similar message as they paraded their depressing set of interim results over the past few days: the recession was taking a heavy toll, but try to spot the healthy business behind the soaring bad debts.

This was typified by this week's comment from Mr Tom Frost, chief executive of National Westminster Bank whose debt provisions of £902m set an uncomfortable new record: "Whilst I am not happy with these results, they do point to the underlying progress we have made through income growth, cost reductions and strategic direction, all of which indicate quite clearly that we are on the right track to come out of this recession stronger than we went in."

Not that the light at the end of the tunnel was all that easy to see. All five banks showed sharp falls in profits and one, Midland, made a loss. Only two of the five, Abbey National and Lloyds, managed to raise their dividends. And all their chairmen were very cautious about the prospects.

Contrary to the banks' earlier experience, when bad debts came in lumpy chunks as Third World countries failed to meet their obligations or big companies went into liquidation, the problem this time lay in a torrent of small personal and business loans that went sour. Midland reported that 4,900 of its 5,800 bad loans were for less than £50,000, and only six were for more than £5m.

This will force the banks to take a more hard-nosed approach to business lending. Sir John Quinton, Barclays' chairman, said banks would expect to be better rewarded for their risks in future, though Barclays, like all the banks, was keen not to give the impression that it was turning its back on the small businessman.

NatWest took the unusual step of appointing an executive director, Mr John Melbourn, to the new senior post of chief of credit risk, with the job of improving the bank's lending practices – a step which perhaps all the banks should have taken long ago.

But behind the bad debts there were signs that the clearers are getting to grips with their long-running problems of high costs and badly-performing businesses.

All except Barclays showed a healthy increase in their operating profits (profits before bad debts and exceptional items). At Abbey National, this increase amounted to a hefty 24 per cent.

Two factors lay behind this. One was the continuing growth of the loan market in spite of the recession, and the clearers' ability to win a greater share of it as foreign banks began to pull back. Although the banks' overall margins showed smaller growth than had been expected, it appeared that their margins on UK lending were improving. Lloyds, for example, reported domestic margins of 5.33 per cent, up from 4.88 per cent last year.

The second was a slowing in the growth of costs. The Big Four clearers all have significant staff-cutting and branch-closing programmes, which are now in full swing and beginning to have an impact on the ratio of costs to income. NatWest, with the biggest high street network in the UK, is closing branches at the rate of 100 a year, and shed 2,600 jobs in the past six months.

The main exception was Barclays, where costs soared in relation to income (though the bank left analysts to work this out for themselves rather than report it openly), mainly because of heavy investments in information technology where outlays rose 11 per cent in the first half. But Barclays expects this trend to be reversed as its own cost-cutting exercise begins to bite.

Another encouraging development was the improvement in the banks' investment banking operations. With the recent buoyancy of the securities markets and the pick-up in takeover activity, there was a growth in fees and trading profits. BZW, part of Barclays, earned £40m, up from £28m in last year's first half. County NatWest succeeded in eradicating last year's £5m loss, though it did not actually make a profit. Midland Montagu, which includes the group's international corporate business, turned a £5m loss into a £73m profit. The exception was Lloyds Merchant Bank where profits fell from £5m to £3m.

However, none of the large investment banking operations are paying their way in terms of return on capital, though Barclays said BZW was close.

The outlook for UK banking does not look encouraging, at least until early next year. "We're not optimistic about when the recovery will start", said Sir Peter Walters, the former BP chief who is now chairman of Midland. Even when the recovery comes, bankers warn, bad debts have a habit of lagging the upswing.

However, the banks all claimed to be sufficiently strongly capitalised to weather the recession, and one of the brighter spots of the results season was the absence of a rights issue.

Clearing banks' interim results (£m)

	Operating profit 1991	Operating profit 1990	Bad debt provision 1991	Bad debt provision 1990	Pre-tax profit 1991	Pre-tax profit 1990
Abbey National	366	295	58	15	308	280
Barclays	1,013	1,035	676	447	378	602
Lloyds	756	711	425	303	331	408
Midland	480	363	530	300	(71)	36
NatWest	979	861	902	425	101	431

Henry Ansbacher shows sharp fall to £1m

HENRY ANSBACHER, the City of London merchant banking group, suffered from the downturn in the UK market over the last six months and reported sharply lower interim results yesterday, writes David Lascelles.

The disclosed profit before tax for the first half of 1991 fell from £5.1m to £1.02m. For the whole of 1990 there was a profit of £2.5m.

Worst hit was the group's merchant banking business where earnings slumped to £37,000 from the £4.5m earned the year previously.

The fall was caused partly by a rise in specific provisions for bad debts, and a transfer to inner reserves for a general provision. The corporate finance department remained active and fee income held up well.

The operation which specialises in mergers and acquisitions in the media business made a loss because of a low volume of business. It has made cost cutting and redundancy moves in both London and the US. The asset trading division performed well in the first half and made a strong contribution to profits.

Other group income was £1.5m, down from £1.9m. This included earnings from offshore banking and trust administration operations which were also hit by the recession, though they made a strong contribution, helped by the stronger dollar.

The bank said that during the current difficult market conditions it was taking the precaution of running a liquid balance sheet. At June 30 1991 the group had disclosed capital resources of £98m and a total loan book net of cash backed loans of £155.5m.

The bank has not paid an interim dividend since 1984 and considers it appropriate to continue this policy for the current year. The 1990 dividend was 1.5p. After tax of £811,000 (£1.34m) and minority interests there was an attributable loss of £283,000 compared with a profit of £3.16m. For 1990 there was an attributable profit of £122,000 before an extraordinary credit of £6.7m.

Loss per share was 0.2p (1.7p earnings)

Simon Engineering pessimistic after midway drop to £10.4m

By Clare Pearson

SIMON ENGINEERING yesterday announced a £6.1m drop in pre-tax profits to £10.4m for the half year to June 30 and said that trading conditions had remained difficult throughout the summer.

Mr Roy Roberts, chairman of the equipment services and manufacturing group, said: "We are now more pessimistic than we were at the AGM in May about the out-turn for the year."

Mr Brian Kemp, chief executive, said that quotations, now at record levels, had not been translating into orders at the rate originally expected.

The slump in interim profits was partly because property disposals contributed only £200,000, against £1.9m in the comparable period. Additionally, adverse exchange rate movements took £500,000 and redundancy costs another £1m.

Mr Kemp said areas of the group involved in paper engineering and access equipment for the construction industry had been the worst affected.

Turnover was £218m (£278m). Earnings affected by a rights issue last year, dropped to 7.5p (14.3p), but the interim dividend is maintained at 5p.

Environmental activities, expanded in April with the £52m purchase of Robertson Group, the natural resources consultant, generally held up.

Yesterday, the division announced that it had won a $28.3m (£16.5m) contract to build a composting plant in Baltimore, Maryland.

Process engineering, which includes the North American paper engineering businesses, failed to make a contribution, compared with £3m previously. Access put in £4m (£5.5m).

The other two divisions, environmental and industrial services, increased their contributions to £1.6m (£1.1m) and £6.6m (£5.4m) respectively.

● **COMMENT**

Up to a point, Simon is still basking in the green glow which came from its expansion into environmental activities. Even after a dismal recent performance, its shares still stand on a prospective p/e of almost 15, assuming pre-tax profits, most of which come in the second half, reach £30m this year. But, as the earnings line in these figures shows, environmental acquisitions may be good for the longer-term, but do not necessarily produce instant benefits; Robertson, for which Simon paid what was seen as a full price, will certainly not perform at its best for the rest of the year as costs are taken out and as it is affected by the recession. At some stage, there will be an argument for buying the shares on weakness, but they could well continue to underperform in the short-term.

Trafalgar seeks time to divest of Davy unit

Trafalgar House, the construction, property and shipping group, has asked the government for up to two years to divest of Expanded Piling, a subsidiary of Davy Corporation.

The Department of Trade and Industry said the £114m bid for Davy could be referred to the Monopolies and Mergers Commission unless Trafalgar House promised to divest parts of the merged business which have given rise to competition concerns.

Reduced net asset value at Mid Wynd

Mid Wynd International Investment Trust ended the year to June 30 with net asset value per share at 290.5p, down from 305.5p at the end of the previous year.

Net revenue amounted to £336,729, up from £239,751 last time.

The company said that the advance in earnings per share to 6.7p (4.77p) reflected investment in bonds and good dividend rises from many equity holdings plus high interest on deposits. The recommended final dividend of 3.4p makes a total of 5.7p (4.6p).

Whessoe purchase

Whessoe has acquired Connex Pipe Systems, a US-based fabricator of high integrity piping systems, for about $8.8m (£5.5m) cash.

NMC lifts offer for API but meets fresh rebuff

By Clare Pearson

NMC yesterday increased its hostile share offer for fellow packaging group API by £8.8m to £32.8m, but disappointed hopes that a cash alternative would be introduced.

The announcement left API's shares, valued at 154p under the improved terms, 2p higher on the day at 140p.

NMC's ordinary offer is now being made on the basis of 23, rather than 17, for 10. Preference shareholders get 85p cash, up from 70p.

API said the terms were still inadequate and failed to take account of its "strong profits recovery." It urged shareholders to take no action.

Mr Norman Gordon, NMC's chairman, said a cash element had not been included in the "generous terms" because the bid was about "a straight management question."

By accepting, shareholders would escape from API's "appalling performance" and be able to share in an enlarged group well-positioned to benefit rapidly from the integration of API and any improvement in economic conditions.

He said the recent appointment of Mr Eric Holroyd, formerly of Hunterprint, as managing director after his recent predecessor had resigned, was "Elastoplast management."

API said if the bid went through NMC's capital would be more than doubled. Even under the revised terms, API shareholders would suffer a 51.7 per cent dilution in underlying net asset per share.

NMC dismissed API's forecast last week that profits would recover in the second half to £1.5m, compared with a £849,000 loss at the midway stage, as demonstrating "the third consecutive decline in profits, which will remain lower than in any year since 1982."

It said that the increased ordinary offer compared with 97p, API's share price just before its bid was announced, and provided a prospective multiple of 51 times September 1991 earnings. NMC's own shares closed unchanged at 67p.

Sainsbury agrees US deal

By Nikki Tait in New York

J Sainsbury, the supermarket group, has reached agreement on a new three-year labour contract with employees at Shaw's Supermarkets, its US subsidiary.

The former agreement expired on July 26, and the new package was only finally negotiated in the early hours of Sunday morning.

Members of the United Food and Commercial Workers Union, which represents about one third of Shaw's 15,000 workers, had raised the possibility of strike action if agreement could not be achieved.

Sainsbury acquired Shaw's in 1988. It cited expansion of the US chain as one the reasons for its recent rights issue.

Britannia Life completes £51.5m purchase

BRITANNIA Life, the Glasgow-based subsidiary of Britannia Building Society, has completed its acquisition of Crusader Insurance, a UK subsidiary of Cigna Corporation, the US insurance group, for £51.5m, writes Scheherazade Daneshkhu.

The Crusader name is to be changed to Britannia Life Assurance and Mr Andrew Scobbie, managing director of Britannia Life, becomes chairman of the new company.

The addition of £800m of Crusader funds under management boosts Britannia Life funds to over £1bn. The acquisition adds unit-linked life assurance policies to Britannia Life's existing portfolio.

Britannia, the UK's ninth largest building society, acquired the Mornington Building Society earlier this year. Mr Scobbie said there would be no let up in Britannia Life's plans for expansion. And he added that "natural wastage" would mean there would be no need for redundancies as a result of the acquisition.

'Sport' chief seeks seat on Bristol Post

By Richard Gourlay

MR DAVID SULLIVAN, the publisher of Sunday Sport and Sport Newspapers, will today seek election to the board of the Bristol Evening Post, the regional newspaper group in which he holds a 10 per cent stake.

The soft-pornography publisher, who made a fortune from selling a chain of sex-shops in 1981, will also attempt to force the Post to reveal terms of a private agreement which prevents Associated Newspapers from raising its stake above 24 per cent.

Mr Sullivan claims that this agreement acts like a "poison pill" and he intends to call an extraordinary general meeting in 90 days time to call for the terms of the agreement to be published and revoked.

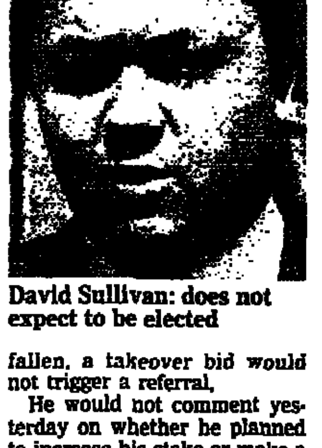
Mr Sullivan said he did not expect to be elected today, given the Associated Newspaper Group's 29 per cent interest, including its pension funds, and lack of support from institutions which control 27 per cent.

Last year Mr Sullivan attempted to raise his stake in the Post from 7.5 per cent to what is deemed by the Department of Trade and Industry to be a controlling 25 per cent.

The Monopolies and Mergers Commission ruled that this would operate against the public interest given the "need for accurate presentation of news." It was the first time that the DTI had blocked transfer of control in a newspaper on non-competition grounds.

The MMC referral was triggered automatically because the combined daily circulation of the Bristol Evening Post, its sister paper, the Western Daily Press, and Mr Sullivan's "Sport" titles would have exceeded 500,000 per day.

Mr Sullivan said that since the average circulation of the Sunday Sport and the daily Sport newspapers, which now appear more frequently, had fallen, a takeover bid would not trigger a referral.



David Sullivan: does not expect to be elected

He would not comment yesterday on whether he planned to increase his stake or make a full bid for the Post.

In his letter to shareholders explaining why he is seeking election to the board, Mr Sullivan says the Bristol Evening Post is being mismanaged.

He says it should not be involved in running a property business with nearly 100 shops and was missing marketing possibilities. He would provide a "younger, more energetic, commercial input."

He said that if he controlled the Post he would not change its editorial line. His stable of Sport titles were "bottom of the barrel tabloid," but it would make no business sense to change the Post from a middle of the road, family newspaper like the Daily Mail.

Mr Sullivan's previous attempt 18 months ago to take a controlling interest in the Post was greeted with howls of local and national criticism.

Mr William Waldegrave, a local MP, commented that his approach should be treated in the same way as if the Moonies were seeking control.

See Observer

BOARD MEETINGS

TODAY

Interims- Anglo & Overseas Trust, CMW, Fleming High Income Inv, Jacobs (John I), Kinta Kellas Inv, Kleinwort Benson, Kode Intl, Renown, Smith & Nephew, Thornton Pan-European, WPP

Finals- Firth (GM), TR City of London Trust.

FUTURE DATES

Interims-	
BAT Inds	Sep. 4
Beattie (James)	Sep. 10
Cambridge Electronic	Aug. 20
Fairhaven Intl	Aug. 15
News Intl	Aug. 15
Smaller Companies Inv	Aug. 19
Willis Corroon	Aug. 20
Finals-	
Sutcliffe Speakman	Aug. 15
Trio Inv Trust	Aug. 28
Williamson Tea	Aug 13

TECHNOLOGY

Keeping reins on devolution

Federalism is not just a term which dogs the European Commission. As companies move away from centralised management structures and give more responsibility to individual business units, they are charged with finding the most effective way of devolving their IT decision-making to foster a federal relationship between the units and the central IT department.

The biggest problems are people-oriented, says Daphne Leggetter of Butler Cox, the technology consultancy which has completed a report* on managing the devolution of systems responsibility.

"Perhaps the most difficult thing is to get business managers to accept their role in devolution," says Leggetter. Information systems managers, many of whom see their traditional role as IT decision makers being eroded, are also loath to cede ground.

Leggetter says that several companies that she interviewed moved responsibility for IT from a central department to individual business units, where managers were clamouring to control their own budgets, only to find the results so disastrous that the company had to revert to a centralised structure.

Central to making a success of devolution, says Leggetter, is to clearly acknowledge the difference between systems strategy – *what* applications should do – and technology strategy – *how* they should do it. Responsibility can then be allocated to either the business manager or the central IT unit.

Leggetter warns that if divisions are given too much freedom to decide their own IT strategy, the organisation could end up with islands of incompatible equipment, which could hinder global marketing plans. And she says certain functions are probably best done by a central IT department and the results then fed out to the local businesses – office automation is one example.

Della Bradshaw

**Managing the Devolution of Systems Responsibilities, Butler Cox, 12 Bloomsbury Square, London WC1A 2LL.*

Della Bradshaw examines how two specifications for cellular telephones will affect the US market

Digital rivals put the calls on hold

In the US competition is king, and no more so than in the mobile communications industry. But there is growing concern that competition between two different specifications for the latest digital cellular phones will result in higher prices for the consumer and prevent them from switching from one service to another.

At stake is a handset industry growing by 30 per cent a year, and worth $2.9bn (£1.7bn) by 1995. In the US there are already more than 5m cellular phone subscribers.

The divergence in the industry is in stark contrast to Europe, where manufacturers and phone companies have worked hard to ensure that they have a single standard. This will mean subscribers will be able to use the same phone from one country to another and will ensure that equipment costs will be kept low because of high volume manufacturing.

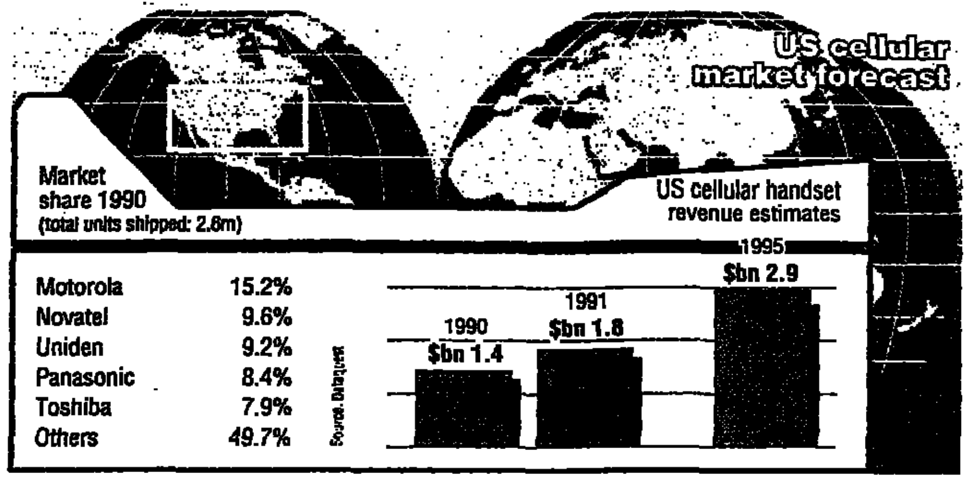
The US cellular phone companies are having to switch to a digital system because they are rapidly running out of capacity on their existing analogue networks. Whichever of the two digital options they choose – and the decision could be taken as soon as the autumn – companies will be able to double their subscriber numbers, at least.

The saga of the digital standards dispute began in January 1989 when the Cellular Telecommunications Industry Association (CTIA), in Washington, which represents both the cellular service companies and the manufacturers, had to choose a digital standard to replace the analogue Amps system used throughout the US. The choice was between a system called TDMA (time division multiple access) and FDMA (frequency division multiple access).

It was agreed that TDMA, which is technically similar to the digital cellular radio standard adopted in Europe, was the better option. The CTIA then began working towards the specifications for the service.

But just one month later a small Californian company, Qualcomm, which specialised in satellite and military technologies, proposed a third option. CDMA (code division multiple access) would, according to Qualcomm, enable the limited radio capacity to be used more economically than with the other options.

The difference lies in the way the radio channels are allocated. With the Amps system, which is used throughout the US today, each call is allocated a 30 khz voice channel, which is dedicated to the customer for the duration of the call. The US (as opposed to the European) version of TDMA divides each of these 30 khz frequency bands into three time channels, so that up to three times as many calls can be made using the same chunk of spectrum.



CDMA, on the other hand, makes no attempt to give each user his or her own channel – the bits from each call are coded and slotted into spaces in the available spectrum. Each user is given a code to enable the receiving equipment to recognise one call from another. Irwin Jacobs, president and chief executive officer of Qualcomm, argues that between 10 and 20 times the number of calls can be squeezed into a given chunk of spectrum as compared with today's Amps systems.

Jacobs says that another advantage of CDMA is that the handsets only transmit as much power as is needed to make the call, so that if the caller is near to the local base station less power will be used. This will give hand portable phones a longer battery life.

The dilemma now for the phone companies is whether to back the riskier but technically more attractive CDMA or play safe with TDMA, which is well proven.

Eyes will be focused on the nine big players in the US cellular business: GTE Mobile Communications, McCaw Cellular and seven of the regional Bell operating companies, which between them provide services to 80 per cent of US subscribers. If several of them opt for CDMA it will cause a split in the marketplace.

PacTel Cellular, a division of the Californian phone company and one of the large cellular operators, was the first to work with Qualcomm on CDMA. Nynex Mobile, which covers the New York area and Ameritech Mobile, from Chicago, are also participating in trials, as are Bell Atlantic Mobile Systems, GTE and Bell Cellular of Canada.

However, all phone companies and manufacturers appear to be hedging their bets. "Everybody's keeping their fingers in every pie," says John Wickens, senior vice president in the information industry group of PA Consulting, in Princeton, New Jersey. "That's the name of the game here."

Big manufacturers such as Motorola, which has licensed CDMA technology from Qualcomm, is also continuing to work on TDMA technology. Nokia of Finland and several Japanese manufacturers are also continuing the expensive task of working on both standards. Even the CTIA, which still strongly supports its original decision to back TDMA, has a working group studying what CDMA has to offer.

In an attempt to counter the claims of its detractors that the CDMA is unproven, Qualcomm has just started stage two of its systems validation tests, deploying five cells and 70 mobile phones in San Diego. The tests will be completed by the end of September, and largely on the basis of these tests will the cellular phone companies decide which technology to opt for. Qualcomm already carried out tests in Chicago in 1980 and New York in February 1990.

If some cellular operators opt for CDMA while others stick to TDMA the eventual loser will be the consumer. Each geographical district has two competing services, one run by the local "Baby Bell" phone company and the other by a competing company. If one opts for TDMA while the other chooses CDMA the subscriber would be unable to switch allegiance unless special phones are made which work to both standards.

The manufacturers are already facing the dilemma of having to make a dual standard phone, to cope with both the new digital standard (be it TDMA or CDMA) and the older analogue Amps one. This is because, unlike in Europe where phone companies are being allocated a new chunk of radio spectrum for digital services, US services will be limited, for the foreseeable future, to the 50MHz chunk of spectrum which is already used for analogue services.

Not only will the need for a dual-standard phone push up prices – Jacobs estimates that dual-standard phone will cost 25 to 30 per cent more than single standard one – but it will pose another problem for the phone companies offering cellular services.

In order to convert the analogue channels to digital ones the operators will have to persuade their largest corporate customers to transfer to digital services. To get them to do that, says Wickens, they may well have to devise special packages on handsets and service charges. "The issue of pricing and handsets will become very much a strategic question," he says. "It's about whether to go for more customers or more revenue."

On the other hand, argues Jacobs, if the cellular companies can free up 10 per cent of the spectrum in this way, and adopt CDMA, they will be able to introduce a digital service which can handle the same number of subscribers as the whole of the analogue service.

Jacobs supports the stance taken by the Federal Communications Commission (the regulatory body) in promoting competition rather than legislation as the best way of devising standards. "The market for one type of equipment will eventually fade and the other one will become dominant," he says.

Others are not so sure. "The US will get a more technically innovative solution," says Wickens. "But it will probably be at the expense of market consistency."

While the disagreements over digital cellular could prove problematic for the consumer, the future for the next generation of digital mobile service, called personal communications services in the US, looks set to be even more fraught with difficulties. Approximately 30 companies have already been given test licences to run trials of their PCS developments, and between them they are testing about 20 technologies.

An article on the European cellular market appeared on the technology page on Tuesday.

Eurotunnel trains will ride the rails on stainless steel

By Kenneth Gooding

Conditions for equipment used in the under-sea tunnel between England and France – the Eurotunnel or Chunnel – will be arduous. Train passengers will be cocooned in air-conditioned comfort but the atmosphere in the tunnel will be humid and heavy with corrosive chloride particles, even though the Chunnel builders say sea water seepage is negligible and pumps are kept working continuously.

Half the trains to run through the Chunnel will provide a shuttle service and spend most of their working lives in these severe conditions. These are the trains that will piggyback cars and buses.

So, while passenger trains using the Chunnel will be fairly conventional, those used to shuttle vehicles have been specially designed and made from a stainless steel containing substantial quantities of nickel.

This so-called austenitic stainless steel is expensive because it contains at least 8 per cent nickel. It was chosen primarily because of its ability to withstand the Chunnel's corrosive atmosphere, which makes the use of carbon steel out of the question. But austenitic stainless has other properties which helped it to win this high-profile business from the other obvious contender, aluminium.

To start with it offers improved security in case of fire. The melting point of stainless steel is about 1,420 deg C compared with about 650 deg C for aluminium. If there were a fire the structural integrity of a stainless steel car would remain intact much longer than that of an aluminium one.

Stainless steel does not conduct heat as quickly as the other materials and this tends to retard the spread of heat damage to structural components.

The Nickel Development Association (NDA) and three stainless steel makers recently had some independent tests carried out to prove this point. In one test, which involved cable ladders being directly heated by flames at a temperature of 1,000-1,050 deg C, an aluminium ladder suffered total structural failure after 26 seconds, a mild steel ladder maintained its integrity for the required five minutes of the test, while fire exposure of a stainless steel ladder was continued for 45 minutes without any damage to its integrity.

The NDA says radiation resistance tests, conduction-through-fittings tests and conduction-through-wall tests all showed similar superiorities of stainless steel. It says: "In general, aluminium provides relatively little resistance to fire because of its low melting point and low strength at even moderately elevated temperature. Mild steel can withstand fire for a useful period but suffers some loss of rigidity. Only stainless steel maintains its structural integrity, even after prolonged exposure to the highest temperatures that can be reached in a railcar fire."

Several underground railway companies, particularly in the US, have put security in case of fire at the top of their list of priorities and for this reason have chosen stainless steel railcars. (The problem of graffiti is another worry for these companies, but stainless steel surfaces can be washed with active chemical products that should not be used on aluminium surfaces.)

According to the NDA, another factor which won austenitic stainless steel the Chunnel railcar business was that it is more easy to fabricate than aluminium. Also, if accidents happen, repairs of aluminium body structures are more expensive because of the difficulties of working out and welding the extruded sections.

The capacity of stainless steel to absorb energy when deformed is 2.5 times greater than that of carbon steel. The NDA points out that when a stainless steel train crashed at 80 kms an hour in Australia, the collision caused only minor injuries and the railcar was put back into service after the damaged front section was cut away and a new one welded on. Other parts of the car were undamaged – even the windows were unbroken.

COMMODITIES AND AGRICULTURE

Soviets urge city dwellers to help gather harvest

By Leyla Boulton in Moscow

MR VYACHESLAV CHERNOIVANOV, the Soviet agriculture minister, yesterday dismissed fears of a hungry winter but he urged city dwellers to help peasants collect the harvest.

His remarks were echoed by Mr Yegor Stroyev, the Communist Party official responsible for the party's agricultural policy, who told a joint news conference: "To speak today about a coming hungry winter is groundless. We need simply to gather the harvest and use it".

By way of contrast, Mr Vladimir Scherbakov, the economics minister, warned a few days ago of a "real threat of hunger" as a result of this year's lower harvest.

Why then is the government issuing such conflicting signals concerning an issue so sensitive that false rumours last winter of a possible "golod" (a word which confusingly means both hunger and famine in Russian) resulted in panic buying and unnecessary foreign food aid?

The fact is that this year's harvest will be mediocre in comparison with last year's bumper crop, but not extraordinarily bad. Mr Chernoivanov said that it was too early to forecast this year's grain harvest, as rains may yet alleviate the effects of last month's severe drought.

Western diplomats concurred with Soviet estimates which put the grain harvest at between 185m and 195m after processing, down from 217m last year in a bumper crop, much of which was wasted by inefficient collecting, storage and distribution.

That compares with a net figure of 196.7m tonnes in 1989 and of 179m tonnes in 1985.

There are, however, additional factors which will complicate this year's harvest compared with 1985, when the old administrative-command system was still in place.

The success of this year's harvest will depend on how successfully the government mobilises new market mechanisms to encourage peasants to part with their grain now that old command mechanisms do not work.

Mr Chernoivanov and Mr Stroyev said that the government would soon unveil new measures designed to encourage peasants to supply more grain for towns and cities by allowing them to sell a greater proportion of their output at market prices - rather than at lower fixed state prices.

City dwellers have assisted with previous harvests

The government has already toyed with paying peasants in hard currency and consumer goods but that had not worked on any significant scale so far.

The government is also desperately trying to encourage city people to go to work in the fields for payment and without coercion. It had no difficulty formerly in drafting workers and students to the countryside.

As the government lacks cash, partly because of declining oil output and also as a result of a spiralling budget deficit, it also has less room to rely on grain imports.

Mr Chernoivanov said that he thought grain imports would be the same as last year's, which he put at 17m tonnes, although it was not clear exactly what he was referring to. The US Department of Agriculture's latest estimates put Soviet imports from July this year to June 1992 at 33m tonnes, compared with 27m imported the previous year.

A final reason for the conflicting signals is political, with different branches of government pursuing different aims. Mr Chernoivanov, for instance, seemed to be saying that things would be alright in his sphere of responsibility, providing that he received outside support. One of Mr Scherbakov's responsibilities, meanwhile, is to attract western sympathy and financial assistance, while trying to absolve the government from blame for the system's failings.

Soyabean futures still falling

By Barbara Durr in Chicago

CHICAGO FUTURES prices for soyabeans and maize continued to fall yesterday, though at a slower pace, as traders sought to unwind positions taken up during last week's strong upsurge. The September soyabeans position, which had already surrendered 68 cents of last week's 77 cent rise, was trading late yesterday at 567.50 cents a bushel, down 7.50 cents on the day. December maize was down 4.45 cents at 253 cents a bushel.

A more cautious attitude was apparent in the market as operators awaited the major crop production survey by the US Department of Agriculture, due next Monday.

Mr Steven Bruce, a grain analyst with the Chicago firm of Geldermann, said: "Right now caution is the word". Mr John "Bud" Frazier of Gerald Commodities in Chicago added that traders "are going to play it very gingerly. They won't take big positions."

Open interest, or the amount of contracts outstanding, is expected to continue to decline, as it has since the beginning of the week.

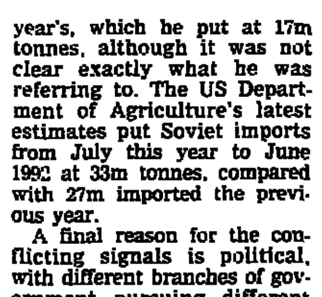
During the last few weeks, the grain markets have been topsy-turvy as traders have gambledon the extent of crop damage from a spell of dry, hot weather. Contrary to a number of weather predictions, the arid heat was followed by cooler temperatures and rain, leading to a break in the maize and soyabean markets.

After a long run-up, prices for maize slid and prices for soyabeans plummeted on Monday and Tuesday. Wheat prices have largely held steady because of an expectation in the markets that Soviet or Chinese orders are afoot. Calculations of where demand is heading are expected to shape trading once the USDA crop survey is released.

Soyabeans

Chicago : 2nd position

cents per 60lb bushel



Source : Datastream

Non-platinum catalysts remote prospect, report says

THERE IS only a "minimal" chance that substitutes for car catalysts based on platinum group metals will be on the market within 15 years, according to Roskill, the mining and metals analysis company, writes Kenneth Gooding.

Automotive catalysts provide platinum with its biggest market and account for about 40 per cent of demand. "There is little doubt that a potential market as massively large as that in motor vehicles will continue to attract research work into alternative means of emission control," Roskill points out in its latest reference book.

Roskill says one potential threat to autocatalyst demand is the Sonex piston system developed by Associated Engineering of the UK for Sonex Research. The Sonex technology involves the efficient burning of very weak gasoline-air mixtures through the use of radical piston and fuel injection designs.

Tests in 1987 by the UK Motor Industry Research Association showed that the Sonex engine emitted 5 per cent less unburned hydrocarbons and nitrogen oxides and 58 per cent less carbon monoxide than was permissible under the then proposed European Community Standards.

The T & N engineering group (formerly Turner & Newall), which took over AE in 1986, said yesterday that developing the Sonex system was a long-term project and much more work was needed before it could be marketed.

Roskill suggests that the introduction of a high-speed element to the emission tests for vehicles in the EC, scheduled for introduction in 1992, will make it difficult, "if not impossible", for many so-called lean burn engines to meet the small and medium-sized car standards without a complementary catalyst.

Economics of Platinum Group Metals 1991. Roskill Information Services, 2 Clapham Road, London SW9 0JA, England. £480.

Bleak future beckons hill farmers

Anthony Moreton outlines the factors eroding a way of life in Wales

BRECON LAST Saturday was *en fête* for its annual show. The farmers, their wives, their friends and their animals crowded the show ground in this little market town in mid Wales just as they have at the start of August for years. It was a sunny afternoon, and everything looked as prosperous as it always has at this time of year. This year, however, is different.

Tension lies beneath the surface jollity. Farming in this part of Wales is under pressure; costs are rising,prices are falling. People are leaving the hill farms and the buyers are frequently outsiders with little knowledge of, and not much interest in, farming itself.

Mr Bryan Jones farms Pentregwyn, five miles outside Brecon, with his wife Fiona. They have slightly more than 200 acres on the edge of Epynt, the mountain range which the army also uses as a training ground. They farm slightly more than 200 acres, and they have some 450 sheep and 45 cattle.

"Recently," Mr Jones says, "a good young farmer went into liquidation. He was a good manager, had good stock, and still the bank foreclosed. It put the fear of God into everyone around here.

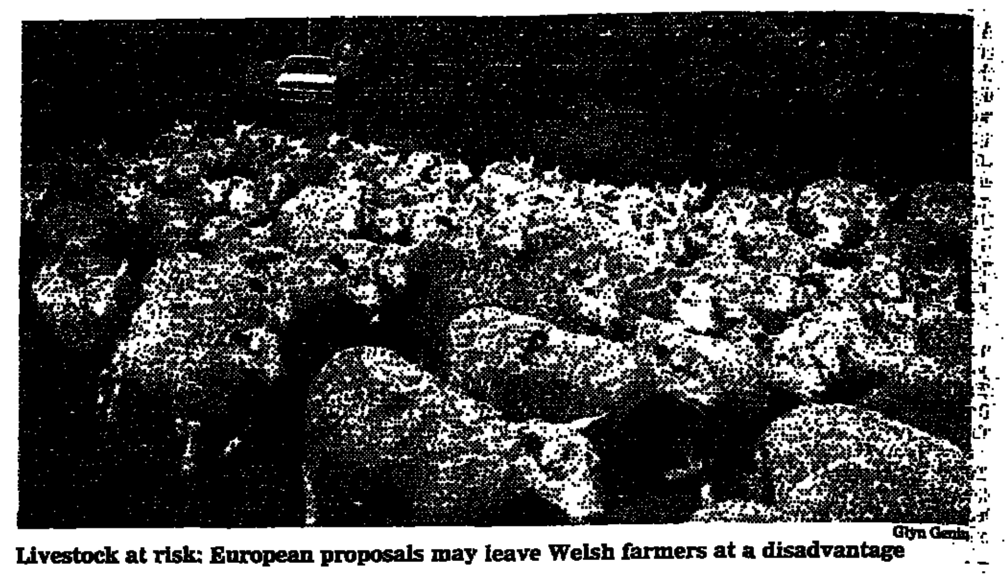
"The only ones who succeed now are those who are ultra efficient or the stick-and-a-dog farmers, who don't give a damn about their stock or their land. They spend nothing, let their hedges go wild and just collect the money in without spending a penny on maintenance."

Ten years ago, Mr Glyn Davies thought he could reasonably look forward to a future in which a large measure of security was married to a degree of profitability. Today, the future is anything but certain and he looks back upon a decade in which his hopes foundered.

Mr Davies farms Cil Farm, 700 acres five miles outside Welshpool, just inside the border with England. He is the third generation of his family to work this land. When his father died suddenly 15 years ago he was forced to borrow heavily from the bank to buy out his five sisters.

"Until two to three years ago the return on the farm was reasonably steady," he says, "but since then we have suffered badly. I had to borrow heavily and the fall in profitability means I can no longer service my debt. The only way to make ends meet is to sell assets."

The favourite means has been selling old buildings for conversion and Mr Davies is no exception to this rule. A barn and a dozen or so acres went to someone wanting a holiday home and he has rented back the land for his animals to graze. He runs about 1,000 sheep and 100 beef cattle. As his hill land is not adequate for fattening animals, most of his lambs are sold on to lowland farmers, who bring them to market.



Glyn Genin

Livestock at risk: European proposals may leave Welsh farmers at a disadvantage

"Two years ago the price of ewe lambs for breeding would have been about £55 each," he says. "Last year they were £35." This fall stems from the cut in the EC subsidy.

Beef sales have also suffered,largely as a result of the scare about bovine spongiform encephalopathy, or "mad cow disease". "The bottom really fell out of the market when that happened and prices have not recovered."

Mr Chris Gillmore, an executive of the Farmers' Union of Wales, which is often thought to be much closer to the small Welsh farmer than the National Farmers' Union, says that farm incomes have dropped by up to 40 per cent during the last two years. "There has been a long-term decline in the industry over the last 20 years," he says, "and a lot of farms have had to restructure. Family farms have tended to disappear or decline into a part-time status. Farming on the hills of mid Wales has reached the point where it cannot support a family full time. The result has been that either the farmer looks for an alternative income, seeks to turn his land to other uses, or his wife goes out to work."

Mr Jones is one of those who have looked for an alternative income. He became an agent for Osmonds, an animal nutrition concern. "We looked at various ways of sustaining our income," he says, "and this was the one that appealed to us."

A recent study by Professor David Bateman, of University College, Aberystwyth for the Development Board for Rural Wales, a government quango of which Mr Glyn Davies is chairman, reported that the farming community in mid Wales declined by 200 jobs a year between 1985 and 1988. Until the mid-1980s, as both Mr Jones and Mr Davies agree, the prospects were good. Then life became very difficult.

According to Professor Bateman, changes in farm employment "respond only very slowly to farm income pressures. Prices of all the main products were lower in 1988 than at the beginning of the decade. Other changes were in government support levels, in costs, and in interest rates.

The net effect was a downward trend in the amount available in mid Wales to provide incomes to farmers and their families. The figure, Prof Bateman suggested, might have been as much as £7m a year less in 1988 than in 1980.

To compound matters, the European Commission is now looking to make large savings on the common agricultural policy, an undertaking which is bound to have an effect on the hill farmer.

Mr Ray MacSharry, the agriculture commissioner, has put forward a policy of "modulation", that is to say, a policy of discrimination in favour of the small farmer and of those in poorer regions.

Mr Davies fears that Mr MacSharry's ideas – which have still to win approval and in which mid Wales would appear, on the surface, to come out rather better than other parts of the UK because of its preponderance of small farms – will actually drive another nail in the coffin.

"MacSharry would hit many farmers very hard," he says. "His proposals are still being debated but his idea is to limit the number of livestock that would qualify for grant support – perhaps 750 sheep and 100 cattle. What we call small is larger than this. These numbers are small in relation to the small farmer in Greece or southern Italy or northern Germany. A number of Welsh small farms would be excluded on this criteria.

"Any cut in numbers would force some farmers out of existence. Without subsidies, life on the hills simply is not profitable."

Professor Bateman sees it rather differently. Because farming is a way of life as well as a living, he sees the decline in the number of farms occurring only slowly, as farmers die and their children no longer take over. Till then, the way-of-life factor means farm families will "accept", however unwillingly, a reduced standard of living because that, to them, is immensely preferable to any form of urban life.

The two working farmers, Mr Davies and Mr Jones, agree with Professor Bateman that alternative farming, however worthwhile, is not a viable option. Neither golf courses nor organic produce can bring in a satisfactory income. "Neither on-farm diversification nor support for 'green agriculture' can constitute the panaceas that some seem to suggest," Professor Bateman says.

Mr Davies is nevertheless concerned at a society in which subsidy is more important in monetary terms than the profit created by work. "Subsidies are far and away in excess of profits," he says. "This is not a good thing. People look at it from their own point of view and naturally see it as boosting the bank balance. But it is not good for farming as an industry."

There are, Professor Bateman believes, about 14,400 people who get a living from farming in mid Wales. The industry pumps about £257m into the economy. "Agriculture indisputably matters to the economy. The industry has social importance as well as economic importance." If agricultural policy is used to conserve the natural environment, he asks why it should not also be used for the social and cultural environment as well. Such a change in attitude by the authorities would make a very big difference to Mr Davies, Mr Jones and many others.

WORLD COMMODITIES PRICES

MARKET REPORT

AFTER ITS long decline, which was halted on Tuesday following a small but unexpected fall in London Metal Exchange warehouse stocks, the aluminium market moved decisively into forward gear yesterday. The cash position on the LME closed $20.50 higher at $1,280 a tonne and the three months position gained $20 to close at $1,311 a tonne. Dealers said the three months price's break through the $1,300 level had triggered shortcovering and stop-loss buying. The copper price also broke through technical resistance to close £9 higher in the three months position at £1,332.50 a tonne. But after the close news came through that all the unions involved in the strike at Chile's El Teniente copper mine, the world's second biggest, had agreed to return to the negotiating table to attempt to end a seven-day-old strike. The strike has had little upward influence on the copper market, but that does not mean that its settlement will not have a bearish impact. Nickel prices moved higher but the cash premium over three months metal narrowed from $27.50 a tonne to $12.50 a tonne. Traders thought a cautious attitude was likely to be adopted ahead of the labour contract expiry at Falconbridge in Canada later this month.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.20-6.25u	-0.15
Brent Blend (dated)	$19.30-9.45	+0.05
Brent Blend (Sep)	$19.40-9.45	+0.10
W.T.I. (1 pm est)	$21.35-1.40u	-0.10
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$243-248	-1
Gas Oil	$185-186	-1
Heavy Fuel Oil	$69-70	-1
Naphtha	$199-200	
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$357.15	-0.85
Silver (per troy oz)♣	395.5c	
Platinum (per troy oz)	$356.75	-0.6
Palladium (per troy oz)	$86.35	-0.25
Copper (US Producer)	106.0c	
Lead (US Producer)	50c	
Tin (Kuala Lumpur market)	15.40r	
Tin (New York)	262c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	108.33p	-0.85*
Sheep (dead weight)†	122.74p	+0.12*
Pigs (live weight)†	82.28p	-2.01*
London daily sugar (raw)	$265.8y	-0.4
London daily sugar (white)	$338.5y	-0.5
Tate and Lyle export price	£278.0	-1
Barley (English feed)	£109.0y	
Maize (US No. 3 yellow)	£178.5	
Wheat (US Dark Northern)	£100.5z	
Rubber (Sep)♥	52.50p	
Rubber (Oct)♥	53.00p	
Rubber (KL RSS No 1 Sep)	229.0m	-0.5
Coconut oil (Philippines)§	$455q	+5
Palm Oil (Malaysian)§	$345.0u	-2.5
Copra (Philippines)§	$305z	
Soyabeans (US)	$155.0z	-6
Cotton "A" Index	75.0c	
Wooltops (64s Super)	370p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct. z-Oct/Dec. u-Sep. v-Jul/Aug. y-Aug/Sep. z-Aug. j-Oct/Nov. †Meat Commission average fatstock prices. *change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR - London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	212.40	214.80	214.80	209.60
Dec	201.20	205.00	200.00	199.00
Mar	198.20	197.00	198.00	194.00
May	198.60	200.00	198.00	
Aug	200.20	200.00	199.00	
Oct	200.20	201.00	202.80	199.60
White	**Close**	**Previous**	**High/Low**	
Oct	292.00	295.00	292.5	289.5
Dec	281.5	283.0	280.5	277.8
Mar	278.0	280.0	279.0	276.8
May	278.7	280.0	279.0	276.3
Aug	277.6	279.0		
Oct	262.2	262.5		
Dec	258.2			

Turnover: Raw 477 (677) lots of 50 tonnes. White 1527 (858).
Paris- White (FFr per tonne): Oct 1686

CRUDE OIL - IPE $/barrel

	Latest	Previous	High/Low	
Sep	19.21	19.43	19.50	19.21
Oct	19.32	19.52	19.65	19.31
Nov	19.40	19.61	19.72	19.40
Dec	19.45	19.68	19.80	19.44
Jan	19.43	19.60	19.43	19.43
IPE Index	19.50	19.54		

Turnover 27654 (24362)

GAS OIL - IPE $/tonne

	Close	Previous	High/Low	
Aug	182.50	183.00	183.25	180.75
Sep	182.75	183.25	184.00	183.75
Oct	187.50	187.25	188.00	186.00
Nov	190.00	189.75	190.00	189.00
Dec	190.00	190.25	190.25	188.00
Jan	188.00	187.50	188.00	186.50
Feb	183.00	183.00	183.00	
Mar	177.00	177.00	177.00	
Apr	174.00	174.00	174.00	173.50

Turnover 12083 (8351) lots of 100 tonnes

WOOL

Last week's decline in Australian wool prices at the opening auctions of the new season has not been checked, but some encouragement can be drawn from the slower and less general rate at which it occurred this week. There is some hope that lower wool prices will in due course attract increased demand, more particularly from China. Stockpile sales have continued but at a substantially lower rate, since prices at auctions are now normally below the level the Wool Realisation Commission has temporarily set itself. UK prices for 64s tops are down by some 20p so far, to 365p a kilo.

COCOA - London FOX £/tonne

	Close	Previous	High/Low	
Sep	663	665	673	662
Dec	698	702	709	697
Mar	730	732	739	729
May	748	748	755	746
Jul	766	766	772	765
Sep	783	784	790	782
Dec	807	809	814	805
Mar	833	835	840	832
May	849	851	857	848
Jul	864	866	870	864

Turnover: 8193 (7372) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 6 657.11 (661.93) 10 day average for Aug 7 626.60 (620.32)

COFFEE - London FOX $/tonne

	Close	Previous	High/Low	
Sep	526	532	532	524
Nov	548	554	553	547
Jan	571	576	574	569
Mar	587	588	590	584

Turnover: 4454 (1254) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 6: Comp. daily 64.21 (64.06) 15 day average 63.78 (63.75)

POTATOES - London FOX £/tonne

	Close	Previous	High/Low	
Apr	100.9	98.2	101.0	98.0

Turnover 51 (160) lots of 20 tonnes.

SOYAMEAL - London FOX £/tonne

	Close	Previous	High/Low
Aug	127.50		127.50
Oct	131.00	132.50	131.00
Dec	135.00	135.00	135.00

Turnover 76 (55) lots of 20 tonnes

FREIGHT - London FOX $10/index point

	Close	Previous	High/Low	
Aug	1470	1451	1470	1454
Sep	1539	1524	1540	1516
Oct	1634	1605	1640	1610
Jan	1635	1620	1635	1620
BFI	1437	1436	1437	

Turnover 187 (379)

GRAINS - London FOX £/tonne

Wheat	Close	Previous	High/Low	
Sep	111.15		111.20	111.15
Nov	114.50	114.95	114.50	114.75
Mar	124.55	124.50	124.50	124.40
Barley	**Close**	**Previous**	**High/Low**	
Sep	109.55	109.75	109.60	109.55
Nov	113.55	113.75	113.60	113.50

Turnover: Wheat 76 (83), Barley 72 (43)
Turnover lots of 100 tonnes.

PIGS - London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	85.0	87.0	83.0
Sep	84.0	86.0	
Oct	101.0	102.0	101.0
Nov	101.0	102.0	101.0

Turnover 23 (27) lots of 3,250 kg

MGMI - London FOX

	Close	Prev.	High	Low	Vol
Inds	138.74	137.71			
Sep	140.20	139.50	140.20	139.40	111
Oct	140.10	139.80	140.10	138.90	155
Dec	140.30	139.90	140.70	140.30	60
Dec	143.40	140.40	143.40	143.40	19

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 23,773 lots
Cash	1279-81	1259-60	1265	1265-6		
3 months	1311-12	1291-2	1318/1294	1296-7	[illegible]	110,254 lots
Copper, Grade A (£ per tonne)						Total daily turnover 20,944 lots
Cash	1309-11	1302-4	1309/1308	1308.5-9		
3 months	1332-3	1323-4	1335/1327	1330-0.5	1335-7	126,039 lots
Lead (£ per tonne)						Total daily turnover 3,536 lots
Cash	[illegible]	317-8	321	321-1.25		
3 months	332.5-3.5	329.5-30	333/332	332.75-33	332.5-3	15,169 lots
Nickel ($ per tonne)						Total daily turnover 1,556 lots
Cash	8180-90	8150-70		8160-70		
3 months	8170-75	8130-5	8175/8140	8150-60	8160-75	13,866 lots
Tin ($ per tonne)						Total daily turnover 1,724 lots
Cash	5700-10	5685-75	5700	5690-5700		
3 months	5783-85	5760-65	5800/5770	5770-75	5785-800	7,027 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 14,335 lots
Cash	1061-3	1061-2	1059.5/1059	1059-9.5		
3 months	1077-78	1076-8.5	1078/1074	1073.5-4	1078-9	28,725 lots

LME Closing £/$ rate: SPOT 1.7138 3 months: 1.6925 6 months 1.6781 9 months 1.6638

LONDON BULLION MARKET (Prices supplied by N.M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	356.50-357.00	
Opening	356.90-357.20	
Morning fix	356.65	208.087
Afternoon fix	356.80	208.899
Day's high	357.20-357.50	
Day's low	355.00-355.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	[illegible]	6 months	[illegible]
2 months	[illegible]	12 months	[illegible]
3 months	[illegible]		

Silver fix	p/fine oz	US cts equiv
Spot	232.05	396.50
3 months	236.50	403.15
6 months	241.45	408.00
12 months	256.55	420.75

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	357.00-358.00	208.00-209.50
Maple leaf	366.00-367.00	214.25-214.75
New Sovereign	83.00-86.00	49.75-50.25

TRADED OPTIONS

Coffee	Sep	Nov	Sep	Nov
450	76	98		
500	27	52	1	4
550	2	19	26	21
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
625	42	91	5	8
650	25	74	13	17
675	13	59	26	37
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
1900			5	24
1950	13			44
2000	2	4		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	356.6	356.7	357.2	355.8
Sep	357.6	358.0	358.4	358.4
Oct	359.1	359.7	360.0	358.5
Dec	362.8	363.1	363.4	361.8
Feb	366.1	366.4	366.8	365.0
Apr	369.2	369.5	369.5	368.5
Jun	372.4	372.7	0	0
Aug	375.7	376.0	0	0
Oct	379.0	379.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Aug	354.9	354.7	0	0
Oct	358.4	359.2	361.5	356.5
Jan	363.1	363.0	365.0	361.5
Apr	367.8	368.0	367.5	367.5
Jul	371.1	370.9	0	0
Oct	379.1	378.9	0	0
Jan	387.9	387.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	395.4	394.0	0	0
Sep	397.0	395.8	397.5	394.0
Oct	398.9	396.7	0	0
Dec	403.6	402.7	404.5	401.0
Jan	405.1	404.0	0	0
Mar	410.1	408.9	411.0	408.0
May	414.5	414.4	415.0	414.0
Jul	419.0	419.2	421.0	419.5
Sep	425.1	424.2	426.0	420.0
Dec	432.7	432.3	434.0	431.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	102.30	101.00	102.80	101.70
Sep	102.55	100.80	102.80	101.20
Oct	101.85	100.30	102.05	101.25
Nov	101.85	100.05	0	0
Dec	101.20	99.55	101.55	100.10
Jan	100.60	99.35	100.60	100.50
Feb	99.85	98.85	0	0
Mar	99.35	98.40	99.80	98.50
Apr	98.80	97.90	0	0
May	98.40	97.40	98.45	98.45

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	21.12	21.37	21.58	21.11
Oct	21.09	21.30	21.48	21.08
Nov	21.01	21.22	21.40	21.02
Dec	20.93	21.12	21.25	20.92
Jan	20.86	20.99	21.10	20.86
Feb	20.76	20.86	20.86	20.75
Mar	20.61	20.72	20.80	20.61
Apr	[illegible]	20.58	[illegible]	[illegible]
May	20.50	20.51	20.50	20.50

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	5880	5906	5965	5870
Oct	5985	6010	6080	5980
Nov	6095	6110	6185	6090
Dec	6175	6205	6265	6175
Jan	6210	6222	6285	6205
Feb	6075	6100	6150	6070
Mar	5840	5840	5880	5840
Apr	5635	5630	5660	5600
May	5455	5465	5490	5490
Jun	5445	5670	5725	5595

COCOA 10 tonnes; $/tonnes

	Close	Previous	High/Low	
Sep	1088	1082	1090	1084
Dec	1130	1146	1155	1127
Mar	1168	1180	1185	1163
May	1192	1205	1205	1193
Jul	1213	1225	1244	1207
Sep	1234	1250	1244	1235
Dec	1266	1280	1272	1267
Mar	1310	1320	1310	1300
May	1329	1346	0	0
Jul	1364	1381	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	81.65	82.60	82.40	81.30
Dec	85.15	86.00	85.90	84.85
Mar	88.70	89.20	89.00	88.00
May	90.75	91.25	91.00	90.50
Jul	93.00	93.30	93.30	93.00
Sep	95.00	95.75	0	0
Dec	96.25	96.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.32	9.45	9.38	9.18
Mar	8.88	8.90	8.88	8.76
May	8.80	8.88	8.87	8.74
Jul	8.81	8.86	8.85	8.73
Oct	8.80	8.86	8.74	8.72

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	69.30	71.15	70.30	69.10
Dec	69.44	71.40	70.40	69.40
Mar	70.65	72.61	71.80	70.65
May	71.47	68.85	72.25	71.50
Jul	72.12	69.13	72.00	72.00
Oct	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	118.15	118.40	118.55	117.75
Nov	117.15	117.50	118.00	117.00
Jan	116.30	116.70	116.60	116.50
Mar	116.65	117.15	117.50	117.00
May	117.05	117.40	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug 7	Aug 6	mnth ago	yr ago
1688.5	1686.4	1725.0	1784.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Aug 6	Aug 5	mnth ago	yr ago
Spot	120.08	120.04	127.33	132.32
Futures	122.99	122.86	123.64	132.54

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	557/2	569/4	578/0	554/4
Sep	561/0	574/6	583/0	559/4
Nov	571/0	583/4	593/0	569/6
Jan	581/6	595/0	602/0	580/6
Mar	592/0	605/0	612/0	590/4
May	600/0	611/0	613/0	600/0
Jul	605/0	613/0	617/0	605/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	20.57	20.92	21.20	20.50
Sep	20.65	21.11	21.30	20.61
Oct	20.82	21.27	21.67	20.80
Dec	21.10	21.62	21.80	21.14
Jan	21.30	21.75	21.85	21.30
Mar	21.60	22.02	22.30	21.60
May	21.85	22.15	22.50	21.75
Jul	22.00	22.32	22.50	21.95

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	175.9	178.6	180.5	176.0
Sep	175.5	177.0	180.5	175.0
Oct	174.5	177.3	179.5	173.5
Dec	174.5	177.7	180.0	174.0
Jan	174.5	177.5	178.5	174.5
Mar	174.7	178.0	178.5	174.5
May	175.5	178.0	178.0	175.0
Jul	175.5	178.5	178.0	176.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	248/4	252/2	254/4	247/4
Dec	252/2	257/2	259/0	251/4
Mar	259/2	264/0	266/2	258/4
May	263/2	268/0	270/2	263/0
Jul	265/2	270/0	272/0	265/0
Sep	253/0	256/0	257/0	253/0
Dec	250/0	255/0	255/0	248/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	292/6	293/0	296/2	291/0
Dec	305/0	305/4	309/0	305/0
Mar	312/0	311/4	315/2	310/0
May	307/4	307/4	310/4	307/0
Jul	296/0	296/4	297/4	295/0
Sep	300/4	301/0	302/0	300/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	67.02	68.50	67.90	67.00
Oct	70.12	71.67	71.57	70.12
Dec	72.30	73.60	73.55	72.30
Feb	72.00	72.90	72.80	71.65
Apr	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	52.15	52.72	52.50	51.96
Oct	43.37	43.62	43.60	43.00
Dec	43.10	43.52	43.42	43.00
Feb	43.47	43.55	43.45	43.00
Apr	42.00	42.35	42.35	41.80
Jun	46.52	46.90	46.90	46.42
Jul	45.87	47.15	0	0
Aug	45.42	45.45	0	45.42

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	42.05	42.62	42.70	41.80
Feb	47.25	47.17	47.50	46.65
Mar	46.57	46.77	46.95	46.45
May	47.70	47.90	48.00	47.60
Jul	48.00	48.00	[illegible]	[illegible]
Aug	45.60	45.00	[illegible]	[illegible]

LONDON STOCK EXCHANGE

US rate cut boosts London equities

By Terry Byland, UK Stock Market Editor

A POSITIVE response to the cut in the Federal funds rate in the US overnight took the London market to within three points of the FT-SE 2,600 mark again yesterday. Although enthusiasm was curbed by reservations over the outlook for rates in Germany, interest in UK equities increased and investors brushed aside gloomy trading news from the manufacturing and financial sectors.

The FT-SE Index closed 24.1 up at 2,597.4 despite a disappointing opening to the new Wall Street session, where the Dow was only four points ahead as London went home.

Seaq trading volume rose to 490.8m shares from Tuesday's 430.5m. Traders identified at least two trading programmes, one a buy programme worth around £30m and the other, at about £40m, a mix of buy and sell trades. A healthy two-way business across the full range of the market was reported. The non-Footsie stocks came in for significant demand, with Burton nil-paid stock again very active as the market awaited the outcome of the rights issue.

Account Dealing Dates		
*First Dealings:		
Jul 29	Aug 12	Sep 2
Option Declarations:		
Aug 8	Aug 29	Sep 12
Last Dealings:		
Aug 9	Aug 30	Sep 13
Account Day:		
Aug 19	Sep 9	Sep 23

*New-time dealings may take place from 8.30 am two business days earlier.

Equities opened sharply higher as London paid tribute to the 38.24 point rise in the Dow overnight which followed the Federal Reserve's cut of a quarter of a point to 5½ per cent in its Federal funds rate. London share prices were also given a strong lead from the stock index futures market, where the FT-SE September contract remained firm throughout the session.

By mid-morning, the Footsie Index was already challenging the 2,600 mark with a gain of 22 points. The UK market paused as it waited for Wall Street to open but then edged ahead again to close virtually at the day's high.

Financial stocks continued to stand up well to a flow of trading reports from the banking sector which have turned out better than the stock market feared. Standard Chartered rose sharply following its interim statement and the sector made little reaction to a warning on bad debts from Royal Bank of Scotland. Commercial Union's half time report was well taken among insurers.

Nor was the general optimism unsettled by poor figures from the engineering sector, accompanied by bearish comment on the progress of the economy from the boardroom of GKN.

While the easing in credit policy by the Federal Reserve encouraged hopes for similar action in the UK, analysts in the City of London believe that further cuts in UK base rates will depend on the course of rates in Germany and on stronger evidence of economic recovery at home.

However, there were indications that analysts at London-based securities firms remain relatively confident that falls in domestic inflation, and more particularly in UK wage rates, will spur a recovery in the UK economy and an advance in the stock market later in the year. Traders expressed satisfaction with yesterday's gains in share prices, commenting on the equity market's success in rebounding to the Footsie 2,600 area so quickly.

County NatWest has raised its forecast for the year-end FT-SE reading from 2,650 to 2,700, and looks for the Footsie to reach the 3,000 area before the end of 1992. However, Mr John Reynolds, County equity strategist, doubts that there will be much evidence of recovery until the final quarter of this year.

FINANCIAL TIMES STOCK INDICES

	Aug 7	Aug 6	Aug 5	Aug 2	Aug 1	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	85.85	85.43	85.85	85.33	85.09	77.86	85.85 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.49	94.45	94.01	93.89	93.83	87.98	94.84 (5/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	2014.9	1989.0	1999.4	2014.6	2008.7	1748.5	2014.9 (7/8)	1606.3 (16/1)	2014.9 (7/8/91)	49.4 (26/6/40)
Gold Mines	176.7	176.6	177.1	180.7	189.2	201.7	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2597.4	2573.3	2585.4	2601.7	2591.7	2237.5	2601.7 (2/8)	2054.8 (16/1)	2601.7 (2/8/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1174.76	1166.29	1174.63	1178.49	1174.74	-	1192.11 (5/6)	938.62 (16/1)	1192.11 (5/6/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.70	4.76	4.74	4.70	4.72	5.36				
●Earning Yld %(full)	8.09	8.19	8.15	8.09	8.11	11.57				
●P/E Ratio(Net)(*)	15.27	15.09	15.16	15.27	15.23	10.51				
SEAQ Bargns 4.45pm	28,378	28,377	25,656	27,356	26,549	22,666				
Equity Turnover(£m)†	-	823.15	893.10	911.63	914.03	1002.47				
Equity Bargains†	-	26,603	25,039	27,838	27,204	22,674				
Shares Traded (ml)†	-	379.1	315.0	412.2	418.3	381.7				

Basis 100 Govt Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ● Nil 14.80

Ordinary Share Index, Hourly changes — Day's High 2014.9 — Day's Low 2001.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2001.9	2004.5	2011.0	2010.2	2009.2	2010.4	2011.0	2012.8	2014.1

FT-SE 100, Hourly changes — Day's High 2598.0 — Day's Low 2584.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2584.9	2587.7	2594.4	2593.8	2591.1	2594.0	2595.6	2598.0	2596.5

FT-SE Eurotrack 200, Hourly changes — Day's High 1175.62 — Day's Low 1171.51

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1171.51	1172.02	1172.20	1172.63	1173.84	1173.66	1173.95

GILT EDGED ACTIVITY

Indices*	Aug 6	Aug 5
Gilt Edged Bargains	97.2	88.6
5-Day average	85.4	81.4

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Burton rights tussle

THERE WAS heavy turnover again in Burton nil-paid shares as the market continued to speculate on the outcome of its £161m rights issue. The nil-paid closed a penny higher at 1¾p after 46m shares had changed hands, while the ordinary finished 1¼ up at 32p on 3.1m as an active two-way market began to emerge.

With at least two brokers advising shareholders to take up their rights, there were signs that the tide may be turning in Burton's favour after initial worries that only a third of the new shares may be taken up.

The best guess now is for a take-up of 65 to 70 per cent. The ordinary shares appear to be well supported above the 30p rights price, although the market remains nervous awaiting next Tuesday, the cut-off point for shareholders to take up their rights.

Chartered advances

Standard Chartered yesterday became the latest in a growing line of banks to announce a fall in half-year results but prompt a boost in the share price. Profits were down by £27m to £83m, the dividend was cut and the shares advanced 20 to 390p on a turnover of 5.3m.

The result was an improvement on the market expectation of around £50m but the focus of optimism was in the underlying result and the conviction that the bulk of the debts related to the bank's exposure to Brent Walker. Mr Rod Barrett of US investment house Goldman Sachs, who expects to raise his 1991 forecast by around £50m to £200m, said: "If you put back the Brent Walker hit, the numbers look pretty good."

Mr Michael Fesemeyer of Daiwa Institute had been a seller of Standard, but switched to a buy tack and raised his end of year forecast to £230m. He felt, however, that investors were buying into the sector too soon. "The fundamentals will not change between now and September. Things will improve in 1992 but it is really too early now."

BA brightens

British Airways advanced swiftly after first-quarter results above expectations encouraged strong demand from US investors. The stock closed 8 higher at 183p on heavy turnover of 6.4m.

The £9m first-quarter profits compared with £156m last time but with analysts' forecasts of anything between a £20m loss and break even. BA warned that traffic volume in the second quarter was unlikely to be above last year's level.

Yesterday's results, however, encouraged analysts to raise their estimates for the full year. Nomura has increased its forecast to a £60m profit from break even and left its 1992 estimate of £200m unchanged.

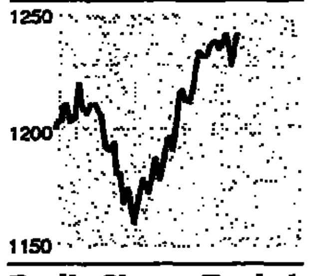
Royal Bank falls

Royal Bank of Scotland failed to share in the general lift in optimism among Footsie stocks after chairman Mr George Younger warned that debts would be higher than feared and there would be an exceptional charge of £25m to pay for staff cuts. The shares eased 2 to 183p on a turnover of 4.6m.

Mr Steven Thorn of securities house UBS Phillips & Drew said the statement was expected but discouraging nevertheless. He added that it would probably convert any anticipated second-half profits into a loss of £12m and he lowered his full year forecast by £95m to £60m. Brokerage concern Panmure Gordon was less pessimistic, reducing its full year estimate by £50m to £100m.

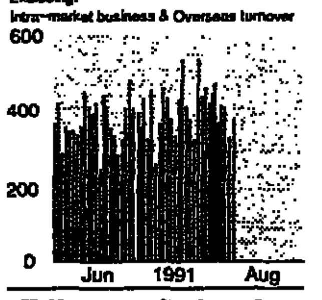
The banks continued their firm trend as they picked up on recovery hopes. NatWest, which announced a significant fall in interim profits on Tuesday, rose 8 to 343p on a hefty turnover of 9.4m shares. Midland, which came in with a half-year shortfall below expectations last Friday, climbed 9 to 239p on turnover of 5.6m. Barclays, which disappointed the market by not raising its dividend, gained 5 to 462p with 7.1m shares changing hands.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Half-year results from Commercial Union were "on the right side of expectations", according to observers. The insurer announced a £26.3m loss against a £16m profit at the same time last year, and the shares put on 10 to 540p as the market welcomed a slightly raised dividend. Analysts also focused on the narrowing of the gap between the cost of claims and the premium rates.

Mr Kevin Phillips of Kleinwort Benson commented: "I feel the sector is looking cheap but the evidence from Commercial Union of general recovery is so flimsy that we need something firmer to grab hold of." General Accident, which reports its half-year results next Tuesday, gained 7 to 570p, while Sun Alliance picked up 10 to 385p.

The steadying of the dollar after several weak sessions brought buyers back to international stocks. Glaxo led the way, helped by a "strong buy" recommendation from a New York broker, with an advance of 31 to 1294p. Reuters climbed 20 to 825p.

One exception was Fisons, unchanged at 481p. The shares have lost ground in recent days as the market waits for US approval of its asthma drug Tilade. Yesterday, traders blamed sell orders from worried institutions for the stock's underperformance, rather than any change in the likelihood of approval.

Shell Transport softened against the trend of the wider market after the company's Fulmar alpha oil production platform in the North Sea was shut down following a series of explosions on the rig. The shares lost a penny to 527p.

GKN added 11 at 349p on above average turnover of 2.3m, reflecting relief at better than expected interim results. Profits fell from £100.5m to £47.5m, but the market appreciated the fact that the figure was not lower and the dividend had been maintained at 8p.

Mr Bob Bucknell, at Smith New Court, raised his full year forecast by £30m to £100m but warned: "It is too soon to consider it as a cyclical buy because risks still remain if Germany (the company's biggest automotive market) goes soft." Mr John Goldschmidt at Charterhouse Tilney was slightly more cautious with a full year prediction of £85m.

A big drop in interim profits, along with a bearish accompanying statement, weakened Simon Engineering. The shares lost 7 on a 37 per cent fall in profits to £10.4m. UBS Phillips & Drew, however, moved in to pick up stock and the shares closed a net 4 off at 310p. Mr Paul Compton at UBS, predicting full year profits of £29m, said: "Simon has strong recovery potential in 1992-93 and good organic growth."

Turnover in Smiths Industries rose to 1.9m shares, well above average, as the stock added 2 at 264p on news of two development contracts worth $28m (£16.3m) awarded by the US Navy and Air Force.

Unigate improved 6 to 303p as UBS Phillips & Drew highlighted the support of its 7 per cent yield and good earnings potential. Tate & Lyle shed 4 to 385p after County NatWest took the sugar producer off its buy list following its strong performance this year.

Lehman Brothers cut its profit forecast for Whitbread after visiting some of the company's divisions, moving its current year estimate from £323m to £282m. "The real price of beer will fall which, if combined with another fall in volumes, will hit profitability hard," said Mr John Wakely. Lehman's cut follows a sharp reduction, for similar reasons, in its forecasts for Bass last week. Whitbread yesterday briefed Kleinwort Benson, which has decided to leave its predictions unchanged. Whitbread eased a penny to 498p.

Invergordon Distillers, the subject of a 225p a share hostile bid from American Brands on Tuesday, climbed yet higher, reflecting traders' belief that it would take a better offer to gain control of the company. The shares added 3 at 258p as 3.8m changed hands.

There was heavy trade once again in hotels group Buckingham International. Late trading saw an agency cross of 1.6m shares take place at 24p. On Monday, Naaz Holdings edged up its stake to 29.29 per cent. Yesterday, the price slipped a penny to 27p.

A steady flow of small buy orders pushed Ladbroke ahead 7 to 273p. The company reveals interim figures on August 29.

Tiphook added 9 at 518p on a recommendation by County NatWest. Turnover expanded to 4.9m as S.G. Warburg placed 2.4m shares at 507p with a number of institutions. NFC rose 5 to 191p, also on a County recommendation.

MARKET REPORTERS:
Daniel Green, Peter John, Joel Kibazo, Jim McCallum.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 16.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (78).
BRITISH FUNDS (10) Treas. 8pc 1992, Treas. 10pc 1992, Treas. 8¾pc 1993, Treas. 10pc 1993, Treas. 8½pc 1994, Treas. 9pc Ln. 1994, Treas. 9pc Ln. 1992-96, Conv. 10pc 1996 B, Treas. 8¾pc Ln 1995-98, Treas. 2pc I-L 1994, INT.BANK & O'SEAS GOVT. STLG. ISSUES (4) African Dev. Bank 11¼pc Ln. 2010, Asian Dev. Bank 10¼pc Ln. 2009, Int-Am. Dev. Bank 12½pc 2003, Do. 9¾pc Ln. 2015, FOREIGN BONDS (1) Hydro Quebec 15pc 2011, AMERICANS (1) Morris (Philip), BANKS (5) Lloyds, Midland, Nat. Aust. Bank, Schroders, Warburg (S.G.), CHEMICALS (4) Akzo, Blagden Inds., Halstead (J), Plysu, STORES (1) Courts, ELECTRICALS (8) Domino Print. Sci., Elec. Data Processing, Electrocomponents, Mender-Swain, Real Time Cont., Thorn EMI, Wholesale Fitting, National Power, ENGINEERING (4) Fairey, Meggitt, Rotork, Wagon Indl., FOODS (5) Delepak Foods, Perkins Foods, Shoprite, Sims Food, Sutherland, INDUSTRIALS (11) Assoc. Brit. Ports, B.H. Prop., BSS, Beepak, Betterware Cons. Prods., Bodycote Intl., Brit. Polythene Inds., Do. 7½pc Pf., Min. & Allied Spply., Portals, Reliance Sec., INSURANCE (2) Hogg Group, Refuge, LEISURE (1) Invicta Sound, MOTORS (1) Cowie (T), NEWSPAPERS (1) Metal Bulletin, PAPERS (1) APL, PROPERTY (1) Brixton Estate, TRANSPORT (5) Bergessen A, British Airways, Do. 9¾pc Cv., NFC Var. Vtg., Tiphook, TRUSTS (4) Aberforth Smaller Warrants, Merchants Tst., Personal Assets, River Plate Zero Div. Pf., OILS (1) Occidental Pet., MINES (2) CRA, Doral Res.

NEW LOWS (34).
CANADIANS (3) Breakwater Res., Central Capital A, Imperial Oil, BANKS (1) Mitsubishi, CHEMICALS (2) Astra, European Colour, STORES (3) Brown & Jackson, Borton, Clinton Cards, ELECTRICALS (2) Acorn Computer, Enterprise Computer, ENGINEERING (3) Firth (G.M.), WB Inds., Westland, INDUSTRIALS (5) Barrett (Henry), High-Point, Nu-Swift, Pilkington Warrants, Plastiseal, INSURANCE (1) Archer (A.J.), LEISURE (4) Marina Devs., TVS Ent., TV-am, Thames TV, PAPERS (1) Gibbon Lyons, PROPERTY (4) Cardiff Prop., Greycoat, Herring Son & Daw, Stanhope Props., TRUSTS (4) Anglo Scan. Warrants, EFM Dragon Warrants, Govett Amer. Endeavour, Jupiter European Warrants, OILS (1) Ex. Co. of Louisiana A Pfd.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	107	480	-4
ASDA Group	4,400	89	
Abbey National	2,700	304	+4
Albert Fisher	818	113	
Allied-Lyons	1,700	581	+2
Amstrad	1,500	53	
Anglian Water	334	383	+4
Argos	382	324	+3
Argyll Group	2,400	307	-1
Arjo Wiggins	1,800	272	-2
Ass. Brit. Foods	313	540	
[illegible]			
Bunzl	151	97	+1
Burmah Castrol	377	568	+6
Burton	3,100	32	+1½
Cable & Wire	2,800	581	+3
Cadburys	1,000	368	+4
Calor Group	228	324	-1
Carlton Comms.	18	479	
Coats Viyella	1,400	171	+2
Comm. Union	810	540	+10
[illegible]			
Ladbroke	1,500	273	+7
Land Securities	789	510	+3
Laporte	661	554	+3
Legal & General	1,400	441	-4
Lloyds Abbey	631	432	+5
Lloyds Bank	2,900	381	-2
LASMO	505	337	+3
London Elect.	716	191	+3
Lonrho	451	240½	
[illegible]			
Ryl Bk Scotland	4,600	183	-2
Royal Insurance	1,000	407	+1
Saatchi	558	16¼	
Sainsbury	1,300	374	+2
Scottish & New	1,800	419	+3
Scot. Hydro-Elect.	1,300	114	
Scottish Power	5,200	107½	+1
Sears	1,800	80	+1½
Sedgwick	647	288	+5
[illegible]			
Wellcome	643	719	+8
Welsh Water	272	364	+8
Wessex Water	54	380	+5
Whitbread 'A'	1,200	498	-1
Williams Hldgs.	1,100	327	+3
Willis Corroon	583	318	+5
Wimpey	187	178	+4
Yorkshire Elect.	35	234	+1½
Yorkshire Water	749	376	+5

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

TRADED OPTIONS were busier yesterday as the rise in the stock market encouraged investors to sell calls against their holdings of shares, writes Jim McCallum.

This strategy uses the options market to lock in the paper profits created by the rise in the stockmarket. But there were also buyers of calls, hoping for further gains in UK equities. Call volume was almost double that of puts, against a more even split on a normal day.

Five stock options traded more than 1,000 contracts (equivalent to 1m shares).

Trafalgar House was the busiest stock option on institutional selling of October 211 calls and puts. There was also activity in Hanson November 240 calls, a buyer of 1,000 Amstrad 60 calls, a seller of 500 Midland December 220 calls and a seller of British Airways calls.

In the futures market, the September FT-SE contract started strongly. At one stage, it traded at a premium of 40 points to the spot FT-SE index, against fair value of 20.

This sparked a rally in the share market but it later ran out of steam as arbitrageurs sold futures and bought shares. The September FT-SE closed up 23 on the day at 2,629 on a premium of 33.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
[illegible]						

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
108¼	102	Treas. 11½pc 2001-04	107½	+¼	10.68	10.21
59½	53⅞	Funding 3½pc '99-04	59⅞	-⅛	5.90	8.79
[illegible]						
Over Fifteen Years						
[illegible]						
Undated						
[illegible]						
Index-Linked						
[illegible]						

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1990: 130.0 and for June 1991: 134.1.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
103¾	95⅞	African Dv Bk 11¼Ln 2010	103¾	+½	10.76	10.69
98½	91⅞	Asian Dev Bk 10¼pcLn2009	98⅞	+⅜	10.42	10.44
[illegible]						

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
53	52	Met. Wtr. 3pc 'B'	52		5.77	9.70

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
50	50	Greek 7pc Ass.	50		3.50	f7.00
50	50	Do. 6pc 28 Stb. Ass.	50		3	f6.00
50	50	Do 4pc Mixed Ass.	50		2	f4.00
55	55	Hung. '24 Ass.	55		2.75	f3.57
128⅞	120	Hydro Quebec 15pc 2011	128⅞	+⅜	12.89	11.33

Continued on next page

APPOINTMENTS

Barclays information technology moves

Mr Joseph De Feo (left) becomes director, information technology and services businesses, at BARCLAYS BANK. He was chief information officer in charge of information technology. Mr Kenneth Garrod (right) has been appointed deputy director from August 20. He will join from J.P. Morgan, London, where he has been a senior vice president.

■ ZURICH INTERNATIONAL (UK) has appointed Mr Ron Brown as marine manager, heading a new marine servicing department to be launched later this year. He was with Commercial Union and SCOR (UK) Re.

■ Mr Mark Symons has been appointed London executive director of METCOM, a national body representing 36 trade associations in the mechanical and engineering sector. Mrs Maureen Gore has been appointed assistant director.

■ PROTEUS INTERNATIONAL, a specialist in computer-aided molecular modelling and drug design, has appointed Mr Peter Kelley as commercial director.

■ Mr Tony Williams has become controller, investor relations, in GUARDIAN ROYAL EXCHANGE's corporate finance department.

■ BARRY WEHMILLER INTERNATIONAL has appointed Mr James Schemenaur as chief executive officer of the Inex Vision Systems division in the US. He was chief executive of Powers Manufacturing Company, an Emhart Corporation subsidiary, and replaces Mr Tom Hickey who has resigned to pursue other interests.

CLAY & PARTNERS, actuaries, has made Mr Paul Belok, Ms Jillian Gough and Mr Clive Graham partners, and promoted Mr Howard Brown, marketing manager, to director of marketing.

■ Mr David Thornham has been appointed managing director, MIDLAND CORPORATE BANKING, retaining responsibility for Midland Montagu Corporate Banking. Mr Robert Wyatt becomes deputy managing director, Midland Corporate Banking. He was chief executive of Forward Trust Group, and continues as vice chairman. He is succeeded as chief executive by Mr Graham Picken who has been promoted from managing director.

■ AMERICAN AIRLINES has appointed Mr David Scowsill as general sales manager UK and Ireland from September 16. He will be based in Hounslow. Mr Scowsill was general manager Europe at British Airways.

■ Mr Brian Phillips, a director of Invesco MIM Development Capital, has been appointed to the board of Invesco MIM Management, main fund management company of INVESCO MIM.

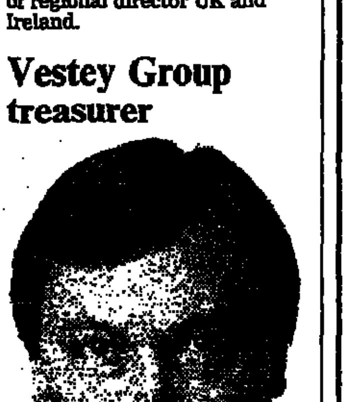
■ C.T. BOWRING, a Marsh & McLennan company, has appointed Mr M.G.O. Venables as a director of Bowring International Insurance Brokers; and Mr A.T. Dunne as a director of Bowring Financial & Professional Insurance Brokers.

■ APOLLO METALS has appointed Mr Rex Walker as finance director. He joined the company in April, and previously was financial director and company secretary of Triton, a Norcros subsidiary.

■ Mr Ian Cox, sales director, has been promoted to managing director of PIPER FM, Ashford, camshaft specialists, following the retirement of the founder, Mr George Henrotte. Another founder, Mr Bob Gaylor, has also retired. Mr Eddie Perk becomes technical director, and Mr Brian Rogers (sales) and Mr John Crabb (technical) have been promoted to the board.

■ Mr Keith Meakins, chief executive of FASSON UK, has been promoted to the new post of regional director UK and Ireland.

Vestey Group treasurer



■ THE VESTEY GROUP has appointed Mr John Hawkins (pictured) as group treasurer. He was group treasurer with TI Group, and prior to that with Air Products, and Phillips and Drew. Following the recent restructuring of the group's business interests into five major divisions the finance department will now be known as group treasury.

LONDON SHARE SERVICE

AMERICANS

[illegible]

For Varity see Americans

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

For Scottish Hydro-Electric and Scottish Power see EQUITIES under LONDON RECENT ISSUES

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRANSPORT—Contd

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 β	640	......
Finlay Pkg. 5p β	28	......
Holt (Jos) 25p β	1978	......

IRISH

Cap. 8½% Ln. 2010	£93½	-¼
9pc Cap Ln. 1996	£97¾	+¼
Fin. 13% 97/02	£113½	+¼
Arnotts	170	......
Helton Hldgs. γ	38	+5
IRG	138	......
United Drug	170	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	58
FKI	6
FNFC	28
Gen Accident	48
GEC	17
Glaxo	88
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	88
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property

Brit Land	38
Control Secs	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Aviva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	38

Mines

Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

Kleinwort Benson Unit Trusts (1400)F
10 Fenchurch Street London EC3
Dealers, 071-956 7354 Admin 071-623 8000

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X, CH99 9QG 0244 680066

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
M & S Inv P'folio	5½	112 2	112.2	120.0	+0.7	3.35
Do Accum	5½	120.1	120 1	128 4	+0 6	3 35
UK Sel P'folio	5½	97 56	97 56	104 3	+0 7	4.24
Do Accum	5½	103.2	103 9	111 1	+0.8	4 24

Marlborough Fund Managers Ltd (1630)F
57 Victoria Square, Bolton, BL1 1LA 0204 364842

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Tst	5	49 44	49 78	52.95	...	4.98

Murray Johnstone UT Mgmt (1000)H
7 West Nile St, Glasgow G2 2PX 0345 090 933

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Acumen	5	70 66	70 89	75.66	+0.13	5.17
Acumen Reserve	3	64 77	64 77	66 71		11.33
American Income	5	129 94	130 00	137.60	+2.60	3.10
Equity Income	5	85 14	85 14	90.87	+0.25	5.37
European	5	53.84	53.84	57 46	+0 18	1 10
Far Eastern	5	111 80	111 80	119.40	+0.10	1.83
Smaller Cos	5	43 38	43.38	46 30	-0 07	3.40
Olympiad	5¼	46 89	46 89	50 03	-0.44	0 74
Olympiad Income	5¼	44 24	44.24	47.15	+0.31	5 19
UK Growth	5	73 34	73.93	78 41	+0.35	2 05

Rothschild Fund Management—Contd.
RAM PSAVC Scheme

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Major Co's	5¼	72.41	73.54	77.40	+0.27	
UK Smaller Co's	5¼	46 36	47.92	50.44	-0.02	
UK Income	5¼	66 27	67.38	70.92	+0.28	
America	5¼	67.80	68.84	72.46	+0.09	
Japanese	5¼	42.00	42.51	44.74	+0.70	
European	5¼	62.78	63.30	66 62	+0.20	
Canadian	5¼	50.15	51.85	54.57	+0.22	
Australasian	5¼	37.20	37.78	39.76	+0.46	
Gilt	5¼	63.97	64.04	67 41	+0.02	
Deposit	5¼	66.90	66.90	70.42	+0.02	

MW Investment Managers Ltd (0659)F
4A Court St, Haddington E Lothian 062 082 5867

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
MW Joint Investors	0	1055 1	1055 1	1082 2		4.37

Maldon Unit Trust Managers Ltd (1400)F
15 St Botolph St London EC3A 7EE 071 276 6066

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Maldon General	0	114 6	114 6	117 6		4 94

Manulife Management Ltd (1200)H
St George's Way Stevenage Dealing 0734 356 5858

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	134 8	136 1	144 8	+0 9	3 76
Gilt & Fxd Int	5	147 1	147 1	154 6	+0 2	9 19
Intl Growth	5¼	148 0	148 0	157 4	+1 1	0 47
North American	5¼	97 37	97 37	103 6	+1 1	0.54
Far East	5¼	118 7	118 7	126 3	+0 8	0 48
UK Smaller Cos	5¼	98 83	98 83	105 1	+0 2	3 51
European	5¼	53 71	53 71	57 25	+0 26	1 00
Japanese Growth	5¼	36 36	36 36	38 55	+0 20	0 00
Managed P'folio	5¼	50 00	50 22	53 43	+0 22	1 34
High Income	5¼	151 3	153 0	162 8	+0 9	6 02
High Yielding Gilt	5¼	61 00	61 00	64 27	+0 09	9 76
Cash		51 47	51 47	51 47	+0 01	9 41

Morgan Grenfell Unit Tst Mgrs Ltd (1000)H
20 Finsbury Circus London EC2M 1UT
Dealers 071-826 0826 Enquiries 071-826 0123

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth	5¼	160 2	160 2	170 9	+2 5	0 88
European Gwth	5¼	197 4	197 4	210 2	+0 8	0 00
Intl Gwth	5¼	145 1	145 1	154 3	+1 1	0 00
UK Equity Inc	5¼	118 1	118 1	126 9	+0.5	6 38
UK Equity Acc	5¼	133 0	133 0	142 9	+0 5	6 38
UK Ind Tracker Inc	5	123 0	123 0	131 3	+0 5	3 76
UK Ind Tracker Acc	5	133 7	133 7	142 7	+0 5	3 76
US Eq Ind Tracker Inc	5	145.5	145.5	156 0	+2 6	2 88
US Eq Ind Tracker Acc	5	150 2	150 2	161 0	+2 6	2 88
Japan Tracker	5	61 61	61 61	65 34	-0 91	0 00
Asian Trader	5¼	86.12	86 12	91 99	+0 31	1 46
Managed Inc	5¼	99 74	99 74	107 2	+0.5	1 96
Managed Acc	5¼	101 3	101 3	108 9	+0 5	1 96
Cash Inc	0	100 66	100 66	100 66	-0 01	10 86
Cash Acc	0	109 81	109 81	109 81	-0 01	10 86
Europa	5¼	104 0	104 0	111.1	+0 2	0 00

Geoffrey Morley Unit Mgrs Ltd (1200)F
3 Bedford Park, Croydon CR0 2AQ 081-686 9818

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Exempt Unit Tst	4	117.14	117 14	124 62	+0 9	2 60
Exempt Smllr Cos	3¼	222.23	222.23	241 35	+0 1	1 40

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The maximum redemption price. The maximum spread between the offer and bid prices is determined by a formula set down by the government. In practice most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 - 379 - 0444.

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Edinburgh Fund Mngrs PLC

	Bid Price	Offer Price	+ or -	Yield Gross
Exempt Funds				
American Aug 7	158.9	163.3	+0.1	1.94
Managed Aug 7	147.3	152.8	+0.4	3.76
Japan Aug 8	114.6	118.8	-1.9	0.08
Sm Jap Cos Aug 2	570.6	586.3	-10.2	0.00

Fidelity Investment Services Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mngd Pens P'folio	131.5	135.8	-0.70	3.51

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Am Exempt	£479.37	486.47	+4.81	1.64
Gen Exempt	£131.64	134.50	-0.64	4.17
Jap Exempt	£474.98	488.46	-3.04	0.77
Pacific Exempt	£102.13	104.12	-0.36	3.07
Cont Euro Exempt	£95.96	97.84	-0.04	2.32
Indexed Exempt Aug 1	£129.97	132.21		4.66
Amer Indexd Expt Aug 1	£106.63	107.79	---	3.15
Japan Indxd Expt Aug 1	£65.78	67.10	---	0.63
Euro Indxd Expt Aug 1	£95.40	97.33	---	2.84
[illegible] Indxd Expt Aug 1	£100.21	102.43	-	2.36

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital July 17	498.37	502.04		2.44
Gross July 17	179.05	180.50	-	10.80
High Yield July 17	293.47	295.84		6.96

* Restricted to matters under Court control

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Mngd	153.58	54.69	+0.03	3.78

INSURANCES

OTHER UK UNIT TRUSTS

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Shield Assurance Ltd
40 Uxbridge Rd, W5 2BS. 081-567 0700

	Bid Price	Offer Price	+ or -	Yield Gross
Gartmore Mngd	121.4	127.7	...	-
Framlington Mngd Life	99.2	104.4	...	-
Henderson Mngd Life	95.8	100.8	...	-
Brunel Life	116.5	122.6	...	-
Secure Life	115.2	121.3	...	-
Gartmore Pens Mngd	126.5	133.1	...	-

Swiss Life (UK) PLC
101 London Rd, Sevenoaks 0732 450161
Group Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Equity Managed	£434.24	447.67	-1.04	-
Fixed Int Managed	£248.88	258.13	+1.91	-
Property Managed	£285.62	294.45	-2.38	-
Mixed Managed	£325.52	335.58	-1.25	-
Cash Managed	£245.96	245.96	+0.43	-
International Mngd	£183.18	188.84	-2.25	-
Europe Managed	£98.26	101.29	+0.14	-

CMI Insurance Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Iberian Equity	£0.4490	0.4830	.....	-
Nordic Equity	£0.4310	0.4640	.....	-
Benelux Equity	£0.4490	0.4830	+0.002	-
Dollar Funds				
Antipodean Equity	$0.5710	0.6140	+0.011	-
Canadian Equity	$0.4520	0.4870	.....	-
Japanese Equity	$0.4960	0.5340	+0.005	-
US Equity	$0.4750	0.5110	+0.004	-
SE Asia Equity	$0.5600	0.6030	.....	-
US Bond	$0.4810	0.5180	-0.002	-

ECU Futures Plc

	Bid Price	Offer Price	+ or -	Yield Gross
ECU Omega Funds	134.0		+2.0	-
ECU Royden	115.0		-1.0	-

Edinburgh Money Management Ltd
41a Charlotte Square, Edinburgh EH2 4HQ 031 220 1244

	Bid Price	Offer Price	+ or -	Yield Gross
Select Portfolio	128.4	29.9	-0.1	-

Fairmount Financial Services Ltd
Fairmount Hse, Bell Hill, Leatherhead 0372 370000

	Bid Price	Offer Price	+ or -	Yield Gross
Secure	106.5		—	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

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	Bid Price	Offer Price	+ or -	Yield Gross
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$749.11		....	-
Fixed Income Shares	$894.83			-
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Main Growth	$10.29		+0.06	-
Yamaichi ISS Fund	$7.65		+0.09	-
Yamaichi CB Plus Fund	$8.16		+0.06	-
[illegible] Fund	$9.86		....	-
Yamaichi OTC Equity Ltd	$9.45		-0.11	-

IRELAND (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
GAM Fund Management Ltd (u)						
29 Kildare Street, Dublin						010 353 1760 630
GAM Universal US $ Acc		$-	110.21		..	-
GAM Universal US $ Inc		$-	108.01			-
GAM Universal DM Acc		DM-	120.83			-
GAM Universal DM Inc		DM-	118.11			-
MI Global Asset Mngmt Co Ltd "MI Trusts"						
MI Global Dollar		$-	1.00	1.07	....	-

IRELAND (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gr's
Bank of Ireland Unit Managers Ltd				
Global Scdg	9.29	9.57	....	-
European Bond	[illegible]	[illegible]		-
Boenvilier Portfolio				
CashAmerica	$11.19	11.87	....	-
EquityEurope	$8.61	9.14	..	-
BondAmerica	$10.46	11.09	....	-
BondEurope	$8.91	9.46	....	-
BondJapan	$9.90	10.50		-
World Inv Trust	$10.33	10.96		-
Opportunity Europe	$10.14	10.76		-
Equibond	$9.82	10.42		-
Bond Plus	$10.06	10.68	....	-
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$16.41	17.24	+0.25	1.05
Japan Tech	$64.04	67.25	+0.32	-
Japan Fund	$26.17	27.48	-0.02	0.27
Japan New Gorta Fd	$20.44	21.47	+0.07	-
Malay Sing	$56.31	59.13		0.31
Nth American	$21.53	22.61	+0.26	0.58

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
John Govett — Contd.						
Far East Equity	5½	$10.79	10.79	10.89	-0.14	1.0
US Smaller Cos	5½	$12.76	12.76	12.89	+0.06	1.0
European Equity	5½	[illegible]	13.91	14.05	-0.06	2.0
UK High Income	5	£4.80	4.80	4.82		10.75
UK Equity	5½	£4.89	4.89	4.94	-0.03	3.0
Initial charge may alter for sales in other jurisdictions						
Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F						
PO Box 63, Bond Street, St. Helier, Jersey						0534 76029
INVESCO MIM International (Jersey) Ltd						
PO Box 271, St Helier, Jersey						0534 73114
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey						0534 27561
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey						0534 606000
For MIM see INVESCO MIM						
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey						0534 76077
Govt Secs Fd	4	56.17	56.17	58.67		
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey						0534 73494

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar eases against D-Mark

THE DOLLAR slipped a little against most European currencies but was slightly firmer in terms of the Japanese yen after a subdued day's trading on the foreign exchanges.

Mr Marlin Fitzwater, White House spokesman, welcomed Tuesday's easing of the US Federal Reserve's monetary stance, and said the economic recovery is continuing.

Action by the Fed on the New York money market yesterday, adding temporary reserves via overnight system repurchase agreements, tended to confirm that the target rate for Federal funds has been cut to 5½ from 5¾ per cent. Funds were trading at 5⅝ per cent at the time of the Fed's move.

A survey of the 12 member banks of the Federal Reserve system, known as the "Beige Book", pointed to a slow and uneven US economic improvement. The survey concluded that retail sales were generally flat or edging up slightly, but "respondents from all areas expect a modest recovery in retail sales during the second half of 1991."

There has been some pick-up in manufacturing business but the recovery is not uniform and demand is stronger for consumer goods than for capital equipment. The rise in home sales is losing steam and business loan demand is weak in most districts, according to the survey.

At the London close the dollar fell to DM1.7100 from DM1.7125; to SFr1.4940 from SFr1.4945; and to FFr5.8150 from FFr5.8225, but improved to Y135.80 from Y135.65. On Bank of England figures the dollar's index rose to 65.9 from 65.8.

The decline in US interest rates could influence the German Bundesbank's decision on whether to tighten monetary policy at next week's council meeting. A rise in the Lombard rate may now be less likely, but the market still expects the council to raise Germany's discount rate.

Mr Helmut Schlesinger, Bundesbank president, said that monetary tightening will not endanger Germany's economy or employment prospects. He added that the central bank's main task is to stabilise prices.

Speaking on German radio Mr Karl Thomas, regional head of the Bundesbank in the State of Hesse, repeated his call earlier this week for an increase in the discount rate, saying that it provides a subsidy for the banks at the present level of 6.5 per cent, while market rates are in the region of 9 per cent.

The D-Mark remained firm in the European exchange rate mechanism, while sterling tended to weaken.

There were no new factors to influence the pound, amid uncertainty about the timing of the next cut in British interest rates, as events in the US and Germany provide conflicting influences.

Sterling rose 20 points to $1.7140 and climbed to SFr2.5600 from SFr2.5575 and to Y232.75 from Y232.25, but was unchanged at FFr9.9675 and fell to DM2.9300 from DM2.9325. Its index lost 0.1 to 91.0.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 7	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.249	-4.03	5.48	70
Belgian Franc	42.4032	42.2529	-0.35	1.59	23
D-Mark	2.05586	2.05089	-0.24	1.48	23
Italian Lira	1538.24	1534.85	-0.22	1.46	17
Dutch Guilder	2.31643	2.31202	-0.19	1.43	15
Irish Punt	0.767417	0.767535	0.02	1.22	5
Sterling	0.696904	0.699739	0.41	0.82	-9
French Franc	6.89509	6.97566	1.17	0.06	-58
Danish Krone	7.84195	7.93861	1.23	0.00	-51

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Aug 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7025 - 1.7145	1.7135 - 1.7145	0.77-0.75cpm	5.32	2.28-2.25pm	5.29
Canada	1.9515 - 1.9640	1.9605 - 1.9615	0.43-0.34cpm	2.36	1.29-1.16pm	2.50
Netherlands	3.2970 - 3.3075	3.2975 - 3.3075	⅝-⅜cpm	2.73	1½-1¼pm	1.59
Belgium	60.15 - 60.65	60.55 - 60.65	12-7cpm	1.88	29-22pm	1.68
Denmark	11.3130 - 11.3900	11.3800 - 11.3900	1¾-1¼orepm	1.52	4⅞-3⅝pm	1.54
Ireland	1.0925 - 1.1095	1.0965 - 1.0975	par-0.05cdis	-0.27	par-0.10dis	-0.18
Germany	2.9275 - 2.9325	2.9275 - 2.9325	½-¼pfpm	1.79	1¼-1¼pm	1.62
Portugal	250.10 - 252.80	251.80 - 252.80	101-188cdis	-6.87	217-341dis	-4.42
Spain	182.50 - 183.60	182.85 - 183.15	20-29cdis	-1.61	69-83dis	-1.66
Italy	2189.20 - 2196.05	2193.50 - 2194.50	5-13liredis	-4.92	32-45dis	-7.02
Norway	11.4230 - 11.4850	11.4750 - 11.4850	1-½orepm	0.72	2½-1¼pm	0.59
France	9.9430 - 9.9865	9.9625 - 9.9725	1½-1¼cpm	1.50	3½-3¼pm	1.33
Sweden	10.6130 - 10.6825	10.6725 - 10.6825	¾-¼orepm	0.63	1½-¼pm	0.26
Japan	231.80 - 233.25	232.25 - 233.25	¼-⅛ypm	3.54	2¼-2pm	3.54
Austria	20.58 - 20.66	20.63 - 20.66	3¼-1½gropm	1.34	10¼-6¼pm	1.61
Switzerland	2.5550 - 2.5650	2.5550 - 2.5650	⅝-½cpm	2.64	2-1⅞pm	3.03
Ecu	1.4275 - 1.4305	1.4295 - 1.4305	0.18-0.13cpm	1.30	0.33-0.24pm	0.80

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.01-3.96cpm. 12 Month 7.00-6.90cpm. Correction for Italian Lire close for 5.8.91: 2300.25-2301.25

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Aug 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7025 - 1.7145	1.7135 - 1.7145	0.77-0.75cpm	5.32	2.28-2.25pm	5.29
Ireland†	1.5540 - 1.5600	1.5555 - 1.5565	0.55-0.50cpm	4.05	1.68-1.58pm	4.19
Canada	1.1455 - 1.1480	1.1470 - 1.1480	0.27-0.30cdis	-2.98	0.79-0.84dis	-2.84
Netherlands	1.9265 - 1.9395	1.9265 - 1.9275	0.56-0.59cdis	-3.58	1.81-1.85dis	-3.80
Belgium	35.25 - 35.45	35.30 - 35.40	9.20-11.20cdis	-3.46	30.00-36.00dis	-3.73
Denmark	6.6240 - 6.6650	6.6400 - 6.6450	1.90-2.20oredis	-3.70	5.85-6.45dis	-3.70
Germany	1.7095 - 1.7220	1.7095 - 1.7105	0.49-0.51pfdis	-3.51	1.54-1.51dis	-3.63
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT * £50,000 32nds of 100%

	Close	High	Low	Prev
Sep	93-14	93-22	93-11	93-09
Dec	93-20	93-27	93-19	93-14

Estimated volume 20175 (24624)
Previous day's open int. 49083 (47344)

US TREASURY BONDS 8% * $100,000 32nds of 100%

	Close	High	Low	Prev
Sep	96-17	96-22	96-14	96-04
Dec	95-25			95-12

Estimated volume 1123 (695)
Previous day's open int. 3629 (3769)

6% NOTIONAL GERMAN GOVT. BOND * DM250,000 100ths of 100%

	Close	High	Low	Prev
Sep	84.37	84.52	84.35	84.30
Dec	84.54	84.68	84.51	84.46

Estimated volume 32387 (41545)
Previous day's open int. 88020 (89431)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Sep	96.67	96.69	96.63
Dec	97.04	97.05	96.98

Estimated volume 968 (781)
Traded exclusively on APT

9% NOTIONAL ECU BOND ECU 200,000 100ths of 100%

	Close	High	Low	Prev
Sep	98.76	98.85	98.67	98.53
Dec	98.65			98.42

Estimated volume 501 (55)
Previous day's open int. 1233 (1239)

THREE MONTH STERLING * £500,000 points of 100%

	Close	High	Low	Prev
Sep	89.26	89.31	89.25	89.23
Dec	89.75	89.81	89.74	89.73
Mar	89.99	90.03	89.99	89.98

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sep	96-17	96-22	96-15	96-23
Dec	95-25	95-28	95-23	95-30
Mar	95-01	95-05	95-00	95-06
Jun	94-11	94-11	94-11	94-14
Sep	-	-	-	-
Dec	93-01	93-01	92-30	93-04
Mar	-	-	-	92-17
Jun	-	-	-	91-30
Sep	93-21	93-21	93-18	93-24
Dec	-	-	-	90-27
Mar	-	-	-	90-11

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sep	94.67	94.67	94.65	94.65
Dec	94.56	94.56	94.53	94.54
Mar	94.48	94.49	94.48	94.49
Jun	-	-	-	94.08
Sep	-	-	-	93.58

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev
Sep	0.6647	0.6665	0.6640	0.6686
Dec	0.6610	0.6632	0.6605	0.6653
Mar	-	-	0.6580	0.6627

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sep	0.7336	0.7349	0.7329	0.7371
Dec	0.7322	0.7323	0.7304	0.7347
Mar	-	-	0.7300	0.7339
Jun	-	-	0.7300	0.7335

DEUTSCHE MARK (IMM) DM125,000 $ per DM

	Latest	High	Low	Prev.
Sep	0.5796	0.5815	0.5792	0.5834
Dec	0.5750	0.5764	0.5743	0.5784
Mar	-	-	-	0.5740
Jun	-	-	-	0.5701

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Sep	94.19	94.19	94.17	94.16
Dec	93.86	93.86	93.83	93.85
Mar	93.76	93.77	93.75	93.76
Jun	93.34	93.35	93.34	93.35
Sep	92.84	92.84	92.83	92.84
Dec	92.29	92.30	92.28	92.30
Mar	92.24	92.26	92.23	92.25
Jun	92.04	92.05	92.03	92.05

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Sep	391.70	391.85	391.50	391.70
Dec	394.60	394.60	394.20	394.85
Mar	-	397.40	-	397.30

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
1.575	12.85	12.85	12.85	12.85	-	0.08	0.39	1.32
1.600	10.25	10.35	10.47	10.50	-	0.24	0.67	1.91
1.625	7.95	7.90	8.15	8.43	-	0.54	1.16	2.61

Open Int. 139,040 50,428 11,395 104,908 38,738 18,430
Estimated volume 32,112 Total Open Interest 362,939

BASE LENDING RATES

	%		%		%
Adam & Company	11	Co-operative Bank	11	McDonnell Douglas Bnk.	11
Allied Trust Bank	11	Coutts & Co	11	Midland Bank	11
AIB Bank	11	Cyprus Popular Bk	11	Mount Banking	11
● Henry Ansbacher	11	Dunbar Bank PLC	11	NatWestminster	11
B & C Merchant Bank	11	Duncan Lawrie	11	Northern Bank Ltd	11
Bank of Baroda	11	Equatorial Bank plc	11	Nykredit Mortgage Bank	12
Banco Bilbao Vizcaya	11	Exeter Bank Limited	11½	Provincial Bank PLC	14
Bank of Cyprus	11	Financial & Gen. Bank	11.5	Roxburghe Bank Ltd.	12
Bank of Ireland	11	First National Bank Plc	14	Royal Bk of Scotland	11
Bank of India	11	● Robert Fleming & Co	11	● Smith & Williamson Secs.	11
Bank of Scotland	11	Robert Fraser & Ptnrs.	11½	Standard Chartered	11
Banque Belge Ltd	11	Girobank	11	TSB	11
Barclays Bank	11	● Guinness Mahon	11	Unibank plc	11
Benchmark Bank	11	● Hambros Bank	11	● United Bk of Kuwait	11
Brit Bk of Mid East	11	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	11
● Brown Shipley	11	Heritable & Gen Inv Bnk	11	Western Trust	11
CL Bank Nederland	11	● Hill Samuel	11	Westpac Bank Corp.	11
Citibank NA	11	C. Hoare & Co	11	Whiteaway Laidlaw	11
City Merchants Bank	11	Hongkong & Shanghai	11	Yorkshire Bank	11
Clydesdale Bank	11	● Leopold Joseph & Sons	11		
Comm Bk of London Plc	11	Lloyds Bank	11		
		Meghraj Bank Ltd	11		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Rates little changed

INTEREST RATES and prices of short sterling futures finished little changed in London yesterday, as hopes faded that Tuesday's easing of monetary policy by the US Federal Reserve had would lead to an early cut in UK bank base rates. In early trading rates had a soft tone and futures rose, but dealers soon decided that the US move is unlikely to have a major impact in London.

Three-month sterling interbank declined to 10 15/16-10 13/16 at one time, but finished unchanged at 11-10⅞ per cent, while 12-month money eased to 10 11/16-10 9/16 from 10¾-10⅝ per cent.

UK clearing bank base lending rate
11 per cent
from July 12, 1991

On Liffe short sterling futures finished below the early peaks. September delivery gained 4 ticks to 89.27 and December rose 2 ticks to 89.75.

Credit remained in very short supply on the London money market. The Bank of England initially forecast a shortage of £1,500m, but revised this to £1,550m at noon. Total assistance of £1,479m was provided.

An early round of help was offered and at that time the authorities bought £200m bills, for resale to the market on August 27, at an interest rate of 10¾ per cent.

In further operations before lunch £232m bills were purchased outright, by way of £32m bank bills in band 1 at 10⅞ per cent and £200m bank bills in band 2 at 10⅞ per cent. In the afternoon another £662m bills were bought outright, via £241m Treasury bills in band 1 at 10⅞ per cent; £225m bank bills in band 1 at 10⅞ per cent; £11m Treasury bills in band 2 at 10⅞ per cent; and £185m bank bills in band 2 at 10⅞ per cent. Late assistance of around £385m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £184m, with exchequer transactions absorbing £1,185m, a rise in the note circulation £110m and bank balances below target £20m.

In Frankfurt call money was steady at 9.00 per cent, in line with the Bundesbank's Lombard emergency financing rate. At this week's securities repurchase agreement tender for 35-day funds the Bundesbank accepted bids of DM25.0bn, draining a net DM3.7bn from the banking system.

Most of this money was allocated at 8.90 per cent, compared with 8.80 to 8.85 per cent paid on a similar 34-day repurchase facility last week. The new agreement offsets an expiring pact worth DM28.7bn.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,615 Set by GRIFFIN

ACROSS

1 US holiday of 7¼ days (5,2,4)
10 Impoverished Russian embraces Italian leader (7)
11 Left Spain and Portugal as a *republic* (7)
12 Passes mum returning and enters (5)
13 Axe man with a mortar board (8)
15 Cover on which head's settled for retirement purposes? (10)
16 After first mistake he's ordered to get engaged (4)
18 Least likely to remain fresh (4)
20 Apply now, to a clergyman (10)
22 Ghastly rogues upset yours truly (8)
24 We included trip when I lost mug (5)
26 Charlatan very good in organised crime (7)
27 Performer mad at Sir Lawrence (7)
28 August marriage? (5,7)

DOWN

2 Test internal noise using service book (7)
3 Cancellation not requiring initial accuracy (8)
4 Hastened to say it's obscure (4)
5 Men well up in jazz club (10)
6 Laura drops the French doctor in shadow (5)
7 For example, a cart's upright length (7)
8 Page chose lira when travelling round groups of islands (13)
9 Sailor holding male tourist is a murderer (4,3,6)
14 Bill claimed a mangle belonging to a college (10)
17 Gave orders: things said tend to be pointless (8)
19 Meal gets cold in sink (7)
21 Soldier thanks boy without showing disloyalty (7)
23 Aerosol for wasps was missing raised beam (5)
25 Many drink after sex! (4)

Solution to Puzzle No.7,614

FAMOUS PEDIGREE
MINUTED TITANIC
LEAN ULTRARAPID
AMIDST INNARDS
DYELINE BEAVER
THORNHEDGE BURR
EMENDED AVARICE
MINISTRY FORGET

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · JAPAN · FRANCE (continued) · GERMANY (continued) · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · AUSTRALIA · HONG KONG · MALAYSIA · SINGAPORE

[illegible]

Price data supplied by Telekurs.

CANADA

TORONTO
3:00 pm prices August 7

[illegible]

Total Sales 8,347,200 shares

MONTREAL
3:00 pm prices August 7

[illegible]

INDICES

NEW YORK

DOW JONES	Aug 6	Aug 5	Aug 2	Aug 1	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3027.28	2989.04	3006.26	3017.67	3035.33 (3/6)	2470.30 (9/1)	3035.33 (3/6/91)	41.22 (2/7/32)
Home Bonds	95.14	94.88	94.82	94.70	95.14 (6/8)	91.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1227.08	1217.74	1223.20	1225.85	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	203.81	202.43	202.78	201.46	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3034.88 (3019.68) Low 2970.48 (2978.76)

STANDARD AND POOR'S

	Aug 6	Aug 5	Aug 2	Aug 1	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	390.62	385.06	387.18	387.12	390.62 (6/8)	311.49 (9/1)	390.62 (6/8/91)	4.40 (1/6/32)
Industrials	465.60	458.85	461.66	461.82	465.60 (6/8)	364.90 (9/1)	465.60 (6/8/91)	3.62 (21/6/32)
Financial	30.97	30.53	30.62	30.66	31.58 (18/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	213.71	210.99	212.03	211.96	213.71 (6/8)	170.97 (9/1)	213.71 (6/8/91)	4.46 (25/4/42)
Amex Mkt. Value	366.88	366.71	368.40	368.24	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	505.20	502.61	505.67	504.15	511.31 (17/4)	355.75 (14/1)	511.31 (17/4/91)	54.87 (31/10/72)

	Aug 2	July26	July19	year ago (approx.)
Dow Industrial Div. Yield	3.07	3.10	3.04	3.84

	Jul 31	Jul 24	Jul 17	year ago (approx.)
S & P Industrial div. yield	2.70	2.77	2.74	2.94
S & P Indl. P/E ratio	19.50	19.02	19.74	16.95

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Philip Morris	3,743,900	71½	+ 2⅝
RJR Nabisco	2,136,300	11½	+ ⅛
Pepsico	1,881,700	32¼	+ ⅞
Time Warner	1,818,100	89⅛	+ 3⅛
Oxy Pete	1,751,300	25¼	+ ½
Exxon	1,599,800	59¾	+ 1⅞
McDonalds	1,511,000	31⅞	+ ⅛
Commodore	1,483,500	11⅞	- 1⅞
Gen Electric	1,462,600	72¾	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Aug 6	Aug 5	Aug 2
New York SE	173.641	125.790	162.050
Amex	11.963	9.373	13.760
NASDAQ	149.716	117.088	148.488
NYSE			
Issues Traded	2,100	2,077	2,083
Rises	1,110	583	889
Falls	486	964	672
Unchanged	504	530	522
New Highs	128	80	103
New Lows	11	-12	-7

CANADA

TORONTO	Aug 6	Aug 5	Aug 2	Aug 1	1991 HIGH	1991 LOW
Metals & Minerals	3139.68	(c)	3163.64	3200.28	3299.99 (18/7)	2632.06 (9/1)
Composite	3515.40	(c)	3522.71	3537.15	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1857.33	1856.36	1861.59	1875.17	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Aug 7	Aug 6	Aug 5	Aug 2	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1591.3	1579.3	1574.9	1582.9	1591.3 (7/8)	1204.5 (16/1)
All Mining (1/1/80)	703.9	700.2	699.1	705.3	787.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	465.36	465.65	468.79	469.64	534.81 (16/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1151.27	1147.33	1147.20	1146.15	1212.15 (27/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	379.09	378.79	379.55	380.04	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	1004.9	1003.7	1003.8	1014.5	1186.9 (8/4)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	467.76	465.92	467.94	467.43	494.95 (12/6)	394.88 (15/1)
CAC 40 (31/12/87)	1782.44	1759.53	1762.22	1766.52	1874.81 (11/6)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	674.80	670.62	673.33	669.85	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1905.2	1894.5	1903.2	1890.0	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1631.43	1611.90	1622.03	1615.36	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4061.31	4023.27	4063.01	4059.49	4063.01 (5/8)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1470.79	1418.27	(c)	1423.38	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	569.74	571.60	573.90	578.40	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	23691.02	23464.96	23833.25	24027.97	27146.91 (18/3)	22176.17 (8/7)
Tokyo SE (Topix) (4/1/68)	1822.60	1813.23	1834.47	1846.80	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	3046.89	3065.28	3094.88	3109.22	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	579.40	587.37	598.16	599.41	635.02 (29/5)	478.41 (16/1)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	281.1	279.8	280.8	283.3	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	200.2	199.3	200.0	201.8	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	780.21	775.25	779.79	774.27	792.13 (4/6)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1008.86	1011.88	1017.87	1011.66	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	396.54	396.08	396.36	400.40	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1289.04	1292.0	1258.0	1282.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4073.04	4084.0	4071.0	4090.0	4093.0 (1/8)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	741.67	763.10	758.18	733.03	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	273.06	271.99	273.03	271.20	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1083.5	1093.3	1114.1	1121.7	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	757.7	756.3	759.8	763.6	767.2 (16/7)	598.4 (14/1)
SBC General (1/4/87)	631.0	629.1	631.7	634.2	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4858.17	4887.03	4881.65	5012.45	6365.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	705.99	704.95	709.35	721.85	908.13 (19/4)	582.40 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) (§)	509.5*	507.3	505.6	576.4	529.2 (17/4)	439.1 (16/1)

**Saturday July 27: Taiwan Weighted Price: 5140.30 Korea Comp Ex. 693.22.
§ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday, August 7, 1991

	Stocks Traded	Closing Prices	Change on day
Nippon Carbon	4.9	880	+18
Nippon Mining	4.6	664	+16
M'bishi Matris	2.7	600	+8
Nikon	2.7	1,040	-50
Hitachi	2.6	1,100	-20
Mitsui Ship	2.3	661	+1
Kawasaki Heavy	2.1	515	-6
Fujitsu	2.0	1,020	-10
Nippon Steel	1.8	414	+3
Nichido Fire Mar	1.7	940	+10

3:15 pm prices August 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16 7/8	9 1/4	AAR Corp x	0.48	0.03	17	176	16 1/2	16 1/4	16 1/2	+1/4
18 3/4	14 1/2	A L Labs A	0.16	0.01	19	24	17 1/8	17 3/8	17 3/8	-1/8
55 3/4	40 7/8	AMP Inc x	1.44	0.03	20	1258	52 3/8	51 7/8	52	-1/2
68 5/8	44 1/4	AMR			11	3178	63 1/4	62 1/4	62 3/8	-7/8
2 5/8	1 1/4	ARX			1	z100	1 1/2	1 1/2	1 1/2	
58	41 1/2	ASA	3.50	0.07	14	71	50	49 3/4	49 7/8	-1/8
55 1/4	39 1/4	Abbott Lab	1.00	0.02	23	4155	u55 1/4	54 1/2	54 3/4	-1/8
14 1/2	9 7/8	Abitibi Pr	0.50	0.04	26	2	14	14	14	
11 5/8	10 3/8	ACM Gvt In	1.26	0.11		416	11 1/8	11	11 1/8	
9 3/4	8 3/4	ACM GvOpp	1.01	0.11		115	9 3/8	9 1/4	9 3/8	
9 1/4	8 1/4	ACM Gvt Sp x	1.01	0.11		242	9 1/8	9	9 1/8	
11	9 7/8	ACM Gvt Se x	1.26	0.12		250	10 1/2	10 3/8	10 1/2	
8 3/8	7 5/8	ACM Man	1.01	0.12		723	u8 1/2	8 3/8	8 3/8	
12 7/8	11 1/2	ACM Managd	1.35	0.11		328	12 1/4	12 1/8	12 1/4	
7 1/2	4 3/4	Acme Cleve x	0.40	0.06	18	65	6 7/8	6 3/4	6 3/4	-1/8
6	3 1/2	Acme Elect			38	10	3 7/8	3 7/8	4	
40	22 3/4	Acuson			23	1125	34 1/2	34	34 3/8	-1/8
18 3/4	14 1/4	Adams Expr	0.48	0.02	0	52	18 1/2	18 3/8	18 1/2	+1/4
20 1/8	17 1/2	Adobe12Pr	2.40	0.14		12	17 5/8	d17 1/2	17 1/2	
9 1/4	6 3/4	Adobe Res			19	60	6 7/8	d6 3/4	6 3/4	-1/8
38 3/8	18	Ad Micro				2	34 1/4	34 1/4	34 1/2	
14 1/4	4 5/8	Ad Micro P	3.00	0.27	18	3238	11 1/2	11 1/8	11 1/4	-1/8
5 1/8	2 1/4	Advest Grp	0.16	0.04	6	58	4	3 7/8	3 7/8	-1/8
49 1/8	33 7/8	Aetna Lf	2.76	0.08	7	7476	36 1/2	36 1/8	36 1/4	-1/8
10 3/8	6 5/8	Affil A	0.24	0.03	48	1785	8 7/8	8 5/8	8 3/4	+1/4
20 1/4	12	Ahmanson x	0.88	0.05	11	1867	19 3/8	18 3/4	19 1/4	+1/8
12 3/4	2 7/8	Aileen Inc			14	162	11 1/4	10 1/2	10 7/8	-3/8
74 1/8	51 3/8	Air Pr Chm	1.56	0.02	14	1043	68 7/8	66 1/8	66 1/2	+1/8
30	16 5/8	Airborne Frt	0.30	0.01	19	726	28 3/4	28 3/8	28 1/4	+1/4
18 7/8	12 1/2	Airgas Inc			82	315	16 3/4	16 5/8	16 5/8	-1/8

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25½	20⅝	S Anita Rt	2.08	0.08	19	14	24⅝	24¼	24½	-⅛
13¾	11½	SCOR US Cp	0.24	0.02	8	16	13½	13¼	13¼	+¼
37	20¾	SPS Techno	1.28	0.04	14	23	30⅛	30	30	
2¼	⅞	SantchiLS			0	760	1⅛	1	⅞	
13	11	Sabine Rt	1.69	0.14	7	2	12⅛	12⅛	12⅛	+⅛
9⅞	5⅞	Salecard x	0.30	0.04	7	372	8¼	8	8⅛	-⅛
13¼	8⅞	Saleg'd Sc				3z100	11½	11½	11½	
37	25	SafetyKln	0.32	0.01	32	275	34½	33⅞	33⅞	-1¼
21⅞	11⅞	Safeway			17	2044	18⅝	18¼	18½	-⅛
4⅞	2⅛	SafewayWts				31	4¼	4⅛	4⅛	-⅛
35⅞	26⅞	StJoePaper	0.20	0.01	34	84	35⅛	34⅞	35⅛	+⅛
32¼	28⅝	StJosL&P x	1.68	0.05	12	24	u32¼	32⅛	32¼	+⅛
4¼	1½	Salant Crp			0	8	3	2⅞	3	
65⅞	43⅞	Sallie Mae	0.80	0.01	20	4215	u67	65½	65¾	+¼
13½	10¾	Salomon Br 1	0.69	0.04		142	u13½	13⅛	13½	+⅛
37	22¼	Salomoninc	0.64	0.02	9	1764	36⅝	36⅛	36½	-⅛
45⅞	37⅛	SanDgo G&E	2.70	0.07	11	563	40⅝	40⅛	40⅝	+⅛
4⅞	2¼	SantaFeEDv	0.60	0.18	15	77	3¼	3	3¼	
16¾	12	SantaFeERs	0.18	0.01	25	370	12¼	d11¾	12	-⅛
31⅞	26	SantaFePac x	2.65	0.09	9	69	30⅝	30⅛	30⅝	
10	3⅛	SantaFeSph			4	573100	9⅞	9½	9⅞	+⅛
43¼	29⅝	Sara Lee	0.94	0.02	21	3097	u44⅞	43⅞	44	+⅛
¼	⅛	Savin Corp			0	738	⅛	0.08	0.08	-0.02
7⅞	1⅞	Savin 0.88	0.48	0.17		22	2⅞	2⅞	2⅞	
39⅝	33½	Scana Corp	2.62	0.07	8	250	39½	39⅛	39⅛	-⅛
42⅞	36	Scecorp	2.72	0.06	11	2342	u43	42⅞	42⅞	+⅛
55⅞	40⅞	ScheringPl x	1.32	0.02	18	3612	u55⅞	54¼	54⅞	
70½	50⅞	Sch'berger	1.20	0.02	27	3933	70	69⅛	69½	-⅛
28	11⅞	Schwab(C) x	0.20	0.01	24	225	26⅞	26⅛	26⅜	-⅛
6⅞	3⅞	Schwitzer			12	230	7	6⅞	6⅞	-⅛

- X - Y - Z -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
51	43¼	Xerox4.125				2	50	50	50½	+½
21¼	14⅛	Xtra 1.94				26	u21¼	21	21¼	+¼
24⅞	14¼	Xtra Corp	0.72	0.03	29	233	23⅞	23½	23⅞	+⅛
24¼	21⅛	Yankee Egy	1.60	0.07	11	143	23⅛	23	23	-⅛
1½	⅛	Zapata			0	533	⅞	⅞	⅞	
9⅞	6⅛	ZenithElec			2	337	6⅞	6½	6½	-⅛
18½	12	Zenith Nat x	1.00	0.06	10	2 14	17⅛	17⅛	17⅛	
8¼	4½	Zenix Inc	0.84	0.14		6	6	6	6	+⅛
16⅛	10⅞	Zero Corp x	0.40	0.03	16	72	14	13½	13⅞	+⅛
41⅞	29½	Zurn Ind	0.88	0.02	15	321	38	37¼	38	+⅛
13½	10¼	Zweig Fund	1.12	0.09		342	12¾	12½	12⅝	
10	8½	Zweig Totl v	0.86	0.10		386	u10	9⅞	10	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices August 7

NASDAQ NATIONAL MARKET

3:15 pm prices August 7

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		34	1736	u28¼	27½	27½	-⅛
XL Data		37	10578	u12⅞	12	12⅝	+⅞
Xoma Corp		10	29136	20	18	18¼	-3¼
Yellow Fr x	0.94	16	4017	30½	30	30⅞	+¼
York Rsch		6	3506	7⅛	6⅛	6¼	-⅛
ZionsUtah	1.44	9	28	46⅝	46¼	46⅝	+⅞

AMERICA

Equities mark time after Federal Reserve action

Wall Street

SHARE prices idled in a narrow trading range yesterday morning as the market continued to digest the implications of Tuesday's lowering of short-term interest rates by the Federal Reserve, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 2.91 at 3,024.37, never having strayed more than a few points away from opening values. The more broadly based Standard & Poor's 500 was equally inactive, edging 0.03 lower to 390.59 by 1 pm. The Nasdaq composite of over-the-counter stocks rose 0.90 to 506.10. Turnover on the NYSE was relatively heavy at 104m shares by 1 pm.

The unexpected monetary policy easing by the Fed on Tuesday has switched the market's attention to the short-term outlook for interest rates, and whether the Fed will cut the more influential discount rate from its current level of 8.5 per cent.

The consensus among analysts yesterday was that the discount rate would remain unchanged for the near term, with the Fed probably waiting for at least one more month's worth of economic data before deciding whether to cut the rate.

Among individual stocks Tenneco jumped $2½ to $39⅛ as hopes rose in the market that problems at the company's loss-making JI Case unit would be addressed in the light of the naming of a new president.

Toys 'R' Us climbed $¾ to $32⅞ on volume of more than ¼m shares after reporting a 9.5 per cent increase in second quarter sales to $1.05bn. Woolworth firmed $¼ to $28⅞ in spite of a big decline in second quarter net income to $21m. The fall was blamed on poor sales and increased markdowns.

Newcomer MGIC Investment enjoyed a good debut, the stock trading at $28¾ on volume of 3.5m shares after it was priced at $24 a share. Interest in the stock was such that both the price range and size of the issue were raised to meet demand.

Xoma plunged $4 or 18 per cent to $18¼, on 2.2m shares after Shearson Lehman, the broking house, cut its rating on the stock to a "neutral" from a "buy", citing concern about the company's Xomen E-5 drug. Centocor, down $2¾ at $32½, suffered from a similar Shearson downgrade and a recommendation to investors to take profits now.

VLSI Technology fell $1 to $6¼ after the company implemented an employee furlough programme (when employees are temporarily given extra time-off) and warned of expected declines in third quarter margins and revenues.

Quaker Oats rose $1⅝ to $61¼ on the heels of positive comments on the stock from an analyst at Merrill Lynch, who noted that fiscal fourth quarter profits of $1.38 a share reported on Tuesday were much stronger than expected, even with an 8-cents-a-share write-off from a plant closure.

Canada

TORONTO stocks held steady at firmer levels in slow trade. The composite index gained 16.5 to 3,531.8, with transactions valued at C$136.2m. Advances led declines by 214 to 140.

Bank shares surged in anticipation of a cut in the US discount rate. Royal Bank rose C$½ to C$26½, Bank of Montreal gained C$⅝ to C$36⅝, Bank of Nova Scotia rose C$¼ to C$18⅝ and Toronto-Dominion firmed C$¼ to C$18⅝.

PWA, plagued by losses and a gloomy outlook for the airline industry, fell C$⅜ or 6.25 per cent to a new 52-week low of C$5⅝ on volume of 31,500 shares. Repap Enterprises fell C$⅛ to C$7¾ after reporting a second quarter loss.

Taiwan's recovery halted by bank openings

Bank capital requirements have prompted a sell-off of shares, says Peter Wickenden

THE RECENT opening of Taiwan's state-dominated banking system to private competition has dealt a blow to the recovery of the stock market from last year's 80 per cent crash.

In the first four months of the year the weighted index shrugged off the Gulf war and soared by 90 per cent from a low of 3,316.26 on January 15 to a 1991 high of 6,305.22 on May 9. Since then it has plunged by 22.5 per cent, to 4,838.17 yesterday. Analysts hoped that the rot had been stopped by a fierce rebound towards the end of July, but volume has shrunk on a lack of institutional interest which, they say, means that almost anything could happen.

In June, the government announced the names of 15 investor groups to be granted licences to start private banks. They are the first significant new financial institutions on the island in the last 15 years.

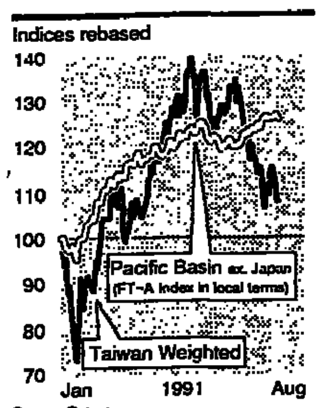
Mostly associated with large industrial conglomerates, these groups are now in a frantic scramble to raise the required capital before an August 27 deadline, and they have resorted chiefly to selling off massive blocks of shares.

Left in the unpredictable hands of a dwindling core of retail investors, the market is likely to remain volatile until the new banks finish scraping their money together and a recent cut in interest rates filters through.

Analysts blame the Finance Ministry for issuing too many new banking licences at once. The market had been expecting about 10.

Mr Chris Ruffle, the Thailand representative of S.G. Warburg Securities, says that, once unsettled by the news, the market's movements became exaggerated. "Thirty to 40 per cent of trading is on margin. So you get overshoots on both the downside and the upside," he explains.

"I am appalled that the groups involved have left it so late to raise their capital," he adds. They must raise a total of about T$150bn (US$5.5bn). Of this, 20 per cent had to be deposited with the government on the licence application last October, and the rest must be raised now. Analysts say about half of the groups have done this, but others are struggling.



Source: Datastream

The stock market may be hit again in September, when the new banks will be required to raise a final portion of their cash by a public subscription.

The market, however, has received another, more permanent, shock from this process. The three state-run commercial banks, Changhwa, First Commercial and Hua Nan, which currently dominate the industry, have a small percentage of shares trading on the market. Traditionally these have been overpriced, and the financial sector is the most heavily weighted, making up 40 per cent of the index.

The potential threat to these three highly profitable but inefficient banks from the 15 newcomers has investors in a panic.

While the index has gained 22 per cent in the year to date, the financial sector has shed 5 per cent. The three banks began to drop sharply in June, and one foreign analyst thinks they could continue to soften for more than a year.

As the financial sector has lost its appeal as a means to push up the broad market, investors' attitudes have begun to change. Some analysts discern a shift towards a market moved by fundamentals rather than by an excess of speculative cash.

"The liquidity-driven market is history. People got burned last year and they tend now to be more conservative," says Mr Michael Chen of Fidelity in Taipei. "Money is going from stocks and real estate into high interest accounts."

This has pleased the government, which has just launched into a new US$303bn six-year National Development Plan to be financed mostly by very large bond issues. Two issues earlier this year totalling T$100bn did not do well but the government still hopes to sell a further T$300bn over the next 12 months.

Mr Dickson Ho, an analyst at WI Carr in Taipei, says: "The government does not want capital flowing into the stock market, but we believe we still have a chance to perform in the second half."

Political observers think the government will try to engineer a rally towards the end of the year, when the ruling KMP party will face its toughest-ever challenge in elections to the National Assembly.

As the market bottoms out again foreign institutions are starting to take a cautious interest, more than six months after the government opened the door to them.

There have now been 15 foreign applications to invest a total of US$730m. Of these, 12 worth in aggregate US$580m have so far been approved. But only US$140m has actually been remitted into the country – compared with a market capitalisation of US$120bn and a daily turnover of US$1bn.

EUROPE

Receding fears of German rate rise boost Continent

TUESDAY'S CUT in the US Federal funds rate, and the implications for European interest rates, lifted most bourses yesterday, *writes Our Markets Staff.*

FT-SE Eurotrack 100 - Aug 7

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1110.53	1110.25	1110.69	1111.72	1112.22	1112.78	1113.11	1113.11

Day's High 1114.19 Day's Low 1109.98

Aug 6	Aug 5	Aug 2	Aug 1	Jul 31
1105.49	1110.63	1116.44	1114.40	1110.04

Base value 1000 (26/10/90)

FRANKFURT ended at a day's high, on a growing belief that the US Federal Reserve's move had taken pressure off the Bundesbank on the interest rate front. Some analysts said they did not expect the Bundesbank to raise the Lombard rate at its council meeting on August 15, although they could not rule out a rise in the discount rate, which was already expected by financial markets.

Furthermore, signs that the west German economy was cooling – including a continuous downtrend in capacity utilisation ratios in the second quarter and slower year-on-year order inflow in May and June – were further arguments against a rise in domestic interest rates.

The FAZ index, calculated at midsession, rose 3.38 or 0.5 per cent to 674.00, while the DAX index closed 19.53 or 1.2 per cent higher at 1,631.43, indicating some US buying in the latter part of the session. Volume rose to DM4.9bn from DM3.7bn.

Optimism about interest rates boosted the financial sector, which has outperformed in recent weeks in the wake of good interim results. Deutsche Bank put on DM12.70 to DM653 and Dresdner Bank added DM7 to DM365.

The construction sector staged a technical recovery after its weakness in the last month. Hochtief was up DM44 or 3.5 per cent at DM1,285 while Holzmann rose DM36 or 2.8 per cent to DM1,291. By contrast, the chemical sector continued to be neglected, with BASF firming just 50 pfg to DM236.50 and Bayer up DM1.50 at DM277.

PARIS also closed at its session high, with the CAC 40 index up 22.91 or 1.3 per cent at 1,782.44, its best level in more than six weeks. Turnover picked up from FFr1.08bn to FFr1.6bn.

Michelin continued to climb, following news last week that it would increase some tyre prices. Continental of Germany also raised prices yesterday, reducing the risk that Michelin's move would harm its market share. The shares jumped FFr6.50 or 6.4 per cent to FFr108.70, with 584,850 traded.

Interest rate hopes lifted financial stocks. CCF rose FFr4.80 or 3.2 per cent to FFr156.80 on volume of 101,200 shares, Suez added FFr6.50 to FFr332 on 163,715 shares, and UAP, the insurer, gained FFr13 to FFr537.

Lafarge Coppée, the cement group, recovered from a day's low of FFr340 to close FFr4 down at FFr348 on 128,460 shares. Investors were worried about the company's first-half sales figures, due next week. Also in the construction sector, Saint-Gobain recouped FFr6 to FFr446, after recent weakness.

STOCKHOLM bucked the positive European trend and fell for the fourth consecutive day on caution before the interim reporting season and the general election next month. The Affärsvärlden General index fell 9.8 to 1,083.5 in heavy turnover of SKr539m.

SKF, expected to show a fall in profits when it reports its results today, saw its free B shares fall SKr1 to SKr102. The forestry sector was weak on US reports that a turnround in the industry was still distant. SCA's free B shares fell SKr4 to SKr113.

AMSTERDAM focused on Daf, the truck manufacturer, which closed at a day's high of Fl 24.50, up Fl 1.50, on hopes of a recovery in the UK economy, one of Daf's main markets. Elsewhere, gains were limited and the CBS Tendency index rose just 0.3 to 92.9.

MILAN fell for the third day in a row in thin volume. The Comit index fell 1.86 to 569.74 in turnover estimated at near Tuesday's L64bn.

Mediobanca rise further on speculation that state banks might reduce their shareholdings in the merchant bank. Mediobanca was officially fixed L70 higher at L16,200 and rose to L16,250 after hours.

MADRID rose, but trading remained quiet. The general index added 1.07 to 273.06 in turnover of about Pta7bn, up from Pta6.1bn.

Endesa, the state-controlled utility, rose Pta55 or 2.2 per cent to Pta2,610. The group now holds 33.5 per cent of Sevillana, which added Pta1 to Pta639. The newly merged Iberdrola is listed from today.

ZURICH edged higher, with the Crédit Suisse index up 3.0 at 544.8. Certificates in Sulzer, the engineering group, rose SFr14 to SFr449 and topped the actives list. The registered shares gained SFr50 to SFr4,930.

BRUSSELS rose for the seventh successive session, but finished below its day's high. The Bel20 index closed 3.94 up at 1,151.27. Acec-Union Minière gained BFr70 or 2.9 per cent to BFr2,470, after a positive broker's report.

ASIA PACIFIC

Nikkei makes first gain in five trading days

Tokyo

THE STOCK market staged its first gain in five trading days yesterday, as a late round of arbitrage-linked buying buoyed prices in continued low volume, *writes Neil Weinberg in Tokyo.*

The Nikkei average rallied 226.06 to 23,691.02, after declining 368.29 on Tuesday. It registered a day's high of 23,703.57 and a low of 23,430.96. Volume picked up modestly to 170m shares from 160m. Advances outscored declines by 476 to 425, with 180 issues unchanged.

The Topix index of all first section shares improved 9.37 to 1,822.60, but the second section index finished 18.39 lower at 3,046.89. In London trading the ISE/Nikkei 50 index was just 0.50 firmer at 1,387.59.

The market received support at the opening from Tuesday's gains in New York, and expectations that the US Federal funds rate reduction could lead to similar moves in Japan. Strong bond prices and the yen's advance against the dollar also boosted stocks early on, although the enthusiasm waned by midday.

The final-hour surge followed a widening of the spread with the futures market, which prompted a round of cash market buying by arbitrage traders, led by leading US securities houses.

Interest rate-sensitive issues, including banks, gained ground. Dai-Ichi Kangyo Bank climbed Y80 to Y2,330, Bank of Tokyo Y80 to Y1,380 and Mitsubishi Bank Y50 to Y2,650.

Companies with high domestic sales ratios also advanced, as a hedge against the effect on exports of the rising yen. Mitsubishi Estate moved ahead Y30 to Y1,380 and Osaka Cement Y19 to Y530.

In spite of the day's gains, the continued low volume reflects overall weakness linked to worries over new financial scandal revelations in the Diet (parliament), summer holidays and the weariness of small investors to jump back into the market, observers said.

Among Wednesday's largest losers were exporters, particularly electricals, semiconductor manufacturers and production equipment makers. Selling began earlier in the week as a local securities firm cut its forecast for Nikon's earnings in the second half of the fiscal year. Electricals are also suffering from expectations that exports will sag owing to the yen's rise and continued dullness in the US economy.

However, Mr Chuck Goto, an analyst at S.G. Warburg Securities, said investors traditionally overreacted to earnings figures in the heavily leveraged electricals sector and the sell-off has gone too far with some firms. Canon ended Y40 lower at Y1,520, although its earnings are running ahead of predictions, Mr Goto noted.

Nikon dropped Y50 to Y1,040. Other losers included Canon, down Y40 at Y1,520, Hitachi, which was off Y20 at Y1,100, and TDK, Y200 lower at Y5,780.

In Osaka, the OSE average shed 175.65 to 25,837.80 on volume of 10m shares. Bank of Kinki gained Y60 to Y1,410.

Roundup

HOPES OF interest rate reductions, following the US Federal Reserve move on Tuesday, and Wall Street's overnight strength lifted most Asia Pacific markets.

AUSTRALIA recorded a year's high, encouraged by a fall in inflation which prompted hopes of a cut in interest rates. The All Ordinaries index climbed 12.0 to 1,591.3, passing the previous 1991 peak of August 2. Turnover expanded to A$270m from A$183m.

Banking stocks rose on the rate optimism, with NAB up 10 cents at A$7.22, Westpac 9 cents at A$4.79 and ANZ 8 cents at A$4.04.

NEW ZEALAND recovered after four days of falls. The NZSE-40 index moved up 17.58 or 1.2 per cent to 1,457.76 as turnover grew to NZ$26.6m from NZ$18.3m.

HONG KONG rebounded as details of the government's proposals to curb property speculation reassured investors. The Hang Seng index, which dropped 41.74 on Tuesday, recouped 40.04 to 4,061.31. Turnover eased to HK$1.52bn from HK$1.63bn.

KUALA LUMPUR lost its early gains on fears of higher interest rates. The composite index slipped 7.97 to 579.40, a three-month low, as volume rose to 34m shares from 27m.

SEOUL fell sharply on profit-taking, after four days of rises. The composite index lost 21.41 or 2.8 per cent to 741.67 in turnover of Won819bn, down from Won890bn.

MANILA settled slightly lower in the absence of any market-moving news, but was considered to be vulnerable because of the uncertain fate of the US military bases in the country. The composite index dipped 3.02 to 1,008.86, although selling of oil shares boosted turnover to 94m pesos from 69m.

BOMBAY was broadly lower after the government hinted at a tax increase to counter a 10 per cent cut in fertiliser prices. The BSE index fell 23.25 to 1,657.44.

Brokers said fresh taxes would hit companies already squeezed by tight bank credit.

SOUTH AFRICA

JOHANNESBURG shares drifted lower in uneventful trading. The all-gold index ended down 3 at 1,289, but above an early low of 1,271, while the industrial index slipped 11 to 4,073. The overall index closed 4 lower at 3,466.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY AUGUST 6 1991								MONDAY AUGUST 5 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	149.90	+0.7	129.81	128.53	133.46	127.49	+0.3	5.05	148.85	129.05	128.57	133.11	127.07	149.90	112.74	144.91
Austria (20)	176.53	−0.5	152.87	151.37	157.17	157.43	−0.7	1.76	177.47	153.87	153.30	158.70	158.51	222.37	167.00	260.53
Belgium (49)	132.40	+0.7	114.66	113.52	117.88	115.09	+0.2	5.13	131.44	113.96	113.53	117.53	114.91	151.20	121.73	150.66
Canada (114)	139.05	−0.2	120.42	119.22	123.79	115.64	−0.3	3.28	139.28	120.75	120.30	124.54	115.93	142.27	126.49	138.45
Denmark (37)	260.38	+0.2	225.49	223.27	231.82	234.88	−0.4	1.50	259.92	225.36	224.52	232.43	235.71	270.56	217.74	269.28
Finland (16)	101.24	+1.8	87.68	86.82	90.14	87.63	+0.3	2.75	99.48	86.25	85.93	88.95	87.34	125.15	90.00	136.68
France (109)	131.82	+0.3	114.16	113.03	117.36	120.40	−0.2	3.69	131.42	113.94	113.51	117.51	120.65	152.26	120.60	151.03
Germany (65)	108.47	+0.0	93.94	93.02	96.57	96.57	−0.4	2.33	108.45	94.02	93.69	96.97	96.97	125.35	102.03	134.53
Hong Kong (55)	167.59	−1.1	145.14	143.70	149.22	167.00	−1.1	4.15	169.54	146.99	146.44	151.61	168.94	169.57	119.62	128.32
Ireland (18)	156.17	+0.9	135.24	133.91	139.04	140.96	−0.3	3.55	154.84	134.24	133.75	138.46	141.35	182.46	132.88	173.53
Italy (77)	76.18	+0.1	65.98	65.32	67.82	72.88	−0.4	3.21	76.11	65.99	65.74	68.05	73.15	88.23	69.89	98.91
Japan (474)	130.87	−0.5	113.33	112.22	116.53	112.22	−1.2	0.75	131.48	113.99	113.57	117.58	113.57	146.97	118.35	129.15
Malaysia (68)	221.88	−0.1	192.15	190.26	197.54	237.05	−0.6	2.77	222.02	192.49	191.77	198.53	238.39	247.78	192.83	223.14
Mexico (16)	1129.62	−1.5	978.17	968.53	1005.64	3724.03	−1.5	1.46	1146.45	993.99	990.29	1025.19	3779.85	1152.58	634.46	530.73
Netherland (31)	140.66	+0.0	121.60	120.40	125.23	123.90	−0.4	4.33	140.61	121.91	121.45	125.74	124.40	145.73	125.70	144.42
New Zealand (14)	47.04	−1.1	40.73	40.34	41.88	43.48	−0.9	6.99	47.56	41.22	41.07	42.52	43.88	54.64	41.18	63.50
Norway (22)	203.21	+0.5	174.25	[illegible]	180.53	184.52	−0.2	1.79	202.16	175.28	174.63	180.78	184.88	223.24	182.21	166.28
Singapore (32)	197.82	+0.4	171.31	169.63	176.12	157.21	+0.1	2.18	196.99	170.79	170.16	176.15	157.05	208.25	151.83	180.69
South Africa (61)	245.07	+3.1	212.22	210.13	218.18	173.08	+1.1	3.13	237.63	206.03	205.25	212.49	171.15	258.85	173.00	188.35
Spain (54)	151.67	−0.6	131.34	130.05	135.03	123.00	−1.3	4.36	152.55	132.26	131.77	136.41	124.64	171.12	131.51	168.90
Sweden (25)	190.08	−1.3	164.61	162.99	169.23	174.95	−2.0	2.54	192.65	167.03	166.41	172.28	178.61	204.12	148.60	220.61
Switzerland (58)	94.28	−0.2	81.65	80.85	83.95	87.36	−0.5	2.21	94.47	81.91	81.60	84.49	87.77	100.67	82.17	101.17
United Kingdom (240)	175.88	−0.4	152.31	150.80	156.58	152.31	−0.5	4.81	176.58	153.07	152.49	157.86	153.07	187.44	156.27	169.39
USA (527)	158.24	+1.4	137.03	135.68	140.88	158.24	+1.4	3.06	156.07	135.32	134.82	139.57	156.07	158.24	125.95	134.83
Europe (831)	138.94	−0.1	120.32	119.14	123.71	122.54	−0.5	3.89	139.15	120.64	120.20	124.44	123.12	151.52	125.50	149.42
Nordic (110)	189.34	−0.3	163.97	162.35	168.58	166.61	−1.0	1.96	189.93	164.72	164.11	169.89	167.47	200.81	155.56	214.60
Pacific Basin (718)	132.30	−0.4	114.57	113.45	117.79	114.05	−1.1	1.11	132.87	115.20	114.77	118.82	115.32	145.92	117.86	129.64
Euro-Pacific (1549)	135.27	−0.3	117.14	115.98	120.43	118.22	−0.8	2.24	135.70	117.65	117.21	121.35	118.23	147.68	121.28	138.05
North America (641)	156.97	+1.3	135.94	134.61	139.78	155.36	+1.3	3.07	154.93	134.35	133.86	138.59	153.36	157.04	125.91	134.95
Europe Ex. UK (591)	116.97	+0.0	101.29	100.31	104.15	105.39	−0.5	3.19	116.93	101.38	101.02	104.59	105.88	129.80	106.85	138.12
Pacific Ex. Japan (244)	146.46	−0.1	126.84	125.61	130.41	130.35	−0.4	4.31	146.63	127.13	126.66	131.14	130.82	147.32	111.40	134.60
World Ex. US (1740)	137.14	−0.2	118.76	117.60	122.10	119.60	−0.8	2.29	137.48	119.19	118.76	122.94	120.56	148.16	122.32	138.78
World Ex. UK (2027)	140.11	+0.4	121.34	120.15	124.75	129.61	+0.1	2.32	139.50	120.95	120.50	124.75	129.52	145.77	120.06	133.10
World Ex. So. Af. (2206)	142.56	+0.3	123.46	122.25	126.93	131.40	+0.0	2.57	142.11	123.21	122.76	127.09	131.41	148.66	122.92	136.00
World Ex. Japan (1793)	151.14	+0.7	130.68	129.61	134.58	142.48	+0.6	3.41	150.04	130.08	129.61	134.19	141.56	152.63	126.89	141.40
The World Index (2267)	143.23	+0.4	124.04	122.82	127.53	131.76	+0.0	2.58	142.72	123.74	123.29	127.63	131.75	149.01	123.28	136.32

Constituent change 7/8/91: Name change: Union Bank of Finland C Free to Unitas Bank C Free (Finland). Latest prices were unavailable for this edition.

BUSINESS LAW

Audit to test green credentials

By Anju Sanehi and Andrew Waite

THE GREAT surge of interest in environmental issues has forced businesses to consider very seriously their environmental "well-being".

Companies which try to cultivate "green credentials" are finding considerable commercial benefit. Not only do they have a marketing advantage but it enables them to keep ahead in the regulatory game, as enforcing agencies adopt a tougher stance on environmental issues.

Moreover, it is recognised that industrial operators and other landowners may face potentially enormous civil claims for damages relating to illness, personal injury and damage to property caused by pollution from their sites.

Businesses have therefore had to adjust to a new world in which environmental targets as well as purely economic ones have to be pursued vigorously.

Some companies are therefore seeking to put in place investigative procedures, by which their environmental performance can be measured against standards laid down by the law, and also setting targets for improving this performance.

Perhaps, as an indication of the importance these companies place on green matters, such investigations have been called "environmental audits". However, any analogy with the financial audit immediately breaks down because the environmental audit (perhaps due diligence is a better expression) deals with a company's compliance with environmental regulations and recognised good practices as well as its actual and potential liabilities.

Environmental audits are carried out with different degrees of thoroughness and for different purposes. At one end of the spectrum they may be little more than a desk-top study, including a search of relevant public registers, to ensure that a company has all necessary licences and that the conditions are not unduly onerous.

This may be bolstered by discussions with the regulatory authorities as to compliance and a questionnaire to certain company employees to ascertain hidden liabilities and environmentally unacceptable practices.

At the other end of the spectrum the desk-top study will be followed by a thorough inspection of the site, including (where appropriate) soil sampling and testing and monitoring of emissions and discharges by environmental scientists together with detailed interviews of relevant employees.

Typically, environmental audits are carried out for one of three different purposes.

- First, to check on the environmental "health" of a company in the course of a merger or acquisition;
- second, to enable the vendor of a "target" company to assess potential liabilities and thus improve its negotiating position;
- third, to enable a company to assess its own environmental "health" with a view to achieving the necessary improvements.

Lawyers have a crucial role to play in all environmental audits because of the need to interpret legal documents such as licences and notices issued by the authorities and to assess potential and actual liabilities in the light of existing and forthcoming laws (EC as well as national).

Frequently, environmental consultants will need to be instructed so that the scientific and legal interpretation of a company's environmental performance can go hand in hand to give the company an accurate overall picture.

The problem is that there has been no consistency in the use of the term environmental audit. The term has been bandied about fairly freely although a number of organisations, such as the Confederation of British Industry and International Chamber of Commerce, which have proposed definitions for the term. The British Standards Institute has published a draft standard on environmental management systems and the Chemical Industries Association has also produced guidelines.

The European Commission has for some time proposed to clarify the position by introducing in legislative form a Community wide regulatory framework for environmental audits. Initially, it proposed to issue a directive which would have made an annual environmental audit mandatory for 58 types of industrial activities which fell within its scope.

However, after much opposition from industry the Commission's latest draft, this time in the form of a regulation, proposes a voluntary scheme. (An EC regulation unlike a directive does not require legislation by member states to implement it).

The spectre of a mandatory scheme is, however, not all together removed. The "scope and nature" of the scheme will be reviewed four years after the regulation comes into force. Mr Carlo Ripa di Meana, the Environment Commissioner, is thought to favour a mandatory scheme.

The current scheme, which has been given the catchy title of "Eco-Audit", provides that certain types of companies may seek registration under the initiative. Registration will involve a commitment to carry out an annual environmental audit and produce an annual environmental statement in accordance with the procedures laid out in the regulation.

The regulation sets out a number of mandatory requirements for an eco-audit, including compliance with EC, national and local requirements. However, there is much in the form of guidance giving companies leeway in deciding on the scope and objectives of the audit and even the frequency at which an eco-audit should be conducted.

The environmental audit and the statement must then be verified by an external independent auditor. The certified environmental statement is forwarded to a "competent authority" and is then available for public scrutiny.

The proposal to make the environmental statement available to the public caused some alarm. However, the annexes to the regulation state that the statement which is open to the public may be the subject of negotiation and that a company may decide how to facilitate access by the public to the document and also the information contained therein.

The carrot held out by the Commission to persuade companies to register is that companies joining the scheme will be able to use the official Eco-Audit logo.

Perhaps recognising the limited appeal of yet another green symbol the regulation also provides that at the discretion of member states, companies registering may receive further rewards such as economic incentives and technical assistance.

Inspection and control requirements by regulatory authorities may also be simplified for those companies registering and submitting certified environmental statements.

Registration of a company may be withdrawn if the certified environmental statement is not submitted within prescribed time periods or if the company has failed to comply with the legal requirements for environmental protection. It may also be withdrawn if the company has failed to demonstrate commitment to high environmental performance standards.

The discussion document is still in a fluid state and will require further consideration. The question, for instance, as to the role of the "competent authority" remains unclear. How the competent authority assesses whether to accept or reject an application for registration by a company has not yet been addressed.

Exactly which disciplines the external auditors will be drawn from also remains up in the air. However, the proposals on accrediting external auditors seem particularly stringent, perhaps to ensure that this "semi-privatised" form of policing is properly carried out.

The role of these auditors will be crucial as the environmental authorities may not in practice have the resources or the expertise to check environmental statements in detail. An Association of Environmental Consultancies has recently been formed to safeguard standards in the environmental consultancy profession.

The draft document, such as it is, is the subject of a consultation exercise and it seems that the Commission will be seeking to have a formal legislative draft by the autumn.

It remains to be seen whether in the long run the proposal turns out to be more than a paper exercise enabling some companies to reap the benefits of economic incentives and less stringent controls while not significantly improving their environmental performance.

However, if used properly, the environmental audit can be a valuable tool of self-regulation for a company helping it towards the goal of being an environmentally responsible enterprise.

The authors are solicitors in the environmental unit of City solicitors Linklaters & Paines